MDC PARTNERS INC
Form 10-K/A
August 31, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2016
Commission File Number 001-13718

MDC PARTNERS INC.
(Exact Name of Registrant as Specified in Its Charter)

Canada	98-0364441
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

745 Fifth Avenue, 19th Floor
New York, New York, 10151
(646) 429-1800
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Subordinate Voting Shares, no par value	NASDAQ

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.Yes o No ý
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.Yes o No ý
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.Yes ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes ý No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. (Check one):
Large accelerated filer ý Accelerated o Non-accelerated o Smaller reporting company o Emerging growth company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).Yes o No ý
The aggregate market value of the shares of all classes of voting and non-voting common stock of the registrant held by non-affiliates as of June 30, 2016 was approximately $932.2 million, computed upon the basis of the closing sales price ($18.29/share) of the Class A subordinate voting shares on that date.
As of August 30, 2017, there were 58,426,654 outstanding shares of Class A subordinate voting shares without par value, and 3,755 outstanding shares of Class B multiple voting shares without par value, of the registrant.

Explanatory Paragraph

As previously disclosed in MDC Partners Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended June 30, 2017, based in part on feedback from the SEC Staff, it was determined that the Company had previously misapplied the aggregation requirements of ASC 280, Segment Reporting. On August 30, 2017, the Company and its Board of Directors concluded that the Company's previously filed Form 10-K and Form 10-Q for the periods ended December 31, 2016 and March 31, 2017, respectively, should be amended.

This Amendment No. 1 on Form 10-K/A to the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (this "Form 10-K/A") of the Company is filed in connection with the Company's change in the aggregation of its reportable segments, as previously disclosed in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2017, and certain other changes described below. This Form 10-K/A includes a restatement of Note 14 in the Notes to the Consolidated Financial Statements, conforming changes to the Business section in Part I, Item 1, revisions to Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7, conforming changes to Note 1, Note 4 and Note 8 in the Notes to the Consolidated Financial Statements, and an updated discussion of our Controls and Procedures in Part II, Item 9A, in each case related to the recasting of prior segment disclosures into four (4) new reportable segments. The recasting of prior period segment information was deemed to be a material error, but does not affect our consolidated financial condition or results of operations, balance sheets, cash flows or goodwill for any period. In addition, there was no impact to management's opinion as to the effectiveness of internal controls. See Note 14 in the Notes to the Consolidated Financial Statements for more information.

As previously disclosed in the Company's Form 10-Q for the period ended March 31, 2017, the Company changed the presentation of book overdrafts on its statement of cash flows to classify the associated cash flows as operating activities. Book overdrafts were previously presented within financing activities. This Form 10-K/A includes the reclassification of these items, which have no impact on the Company's consolidated statements of operations, comprehensive income (loss), or balance sheets. See Note 2 in the Notes to the Consolidated Financial Statements for more information.

As previously disclosed in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2017, the Company identified and recorded out-of-period adjustments related to the misapplication of ASC 740 and ASC 850-740 accounting policies as they applied to the calculation of deferred tax liabilities. The Company determined this to be not material to prior periods, and the correction has no impact on the Company's statements of cash flows. This Form 10-K/A includes revisions to correct this misapplication in the periods covered by this report. See Note 2 and Note 9 in the Notes to the Consolidated Financial Statements for more information.

Except as set forth above, this Form 10-K/A has not been updated for events or information subsequent to the date of filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

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MDC PARTNERS INC.

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References in this Annual Report on Amendment No. 1 on Form 10-K/A to “MDC Partners,” “MDC,” the “Company,” “we,” “us” and “our” refer to MDC Partners Inc. and, unless the context otherwise requires or otherwise is expressly stated, its subsidiaries. References in the Annual Report on Amendment No. 1 on Form 10-K/A to “Partner Firms” generally refer to the Company’s subsidiary agencies.

All dollar amounts are stated in U.S. dollars unless otherwise stated.

DOCUMENTS INCORPORATED BY REFERENCE

The following sections of the Proxy Statement for the Annual Meeting of Stockholders to be held on June 7, 2017, are incorporated by reference in Parts I and III: “Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Executive Compensation,” “Report of the Human Resources and Compensation Committee on Executive Compensation,” “Outstanding Shares,” “Appointment of Auditors,” and “Certain Relationships and Related Transactions.”

AVAILABLE INFORMATION

Information regarding the Company’s Annual Report on Amendment No. 1 on Form 10-K/A, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports, will be made available, free of charge, at the Company’s website at http://www.mdc-partners.com, as soon as reasonably practicable after the Company electronically files such reports with or furnishes them to the Securities and Exchange Commission (the “SEC”). The information found on, or otherwise accessible through, the Company’s website is not incorporated into, and does not form a part of, this Annual Report or Amendment No. 1 on Form 10-K/A. Any document that the Company files with the SEC may also be read and copied at the SEC’s Public Reference Room located at 100 F. Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of Public Reference Room. The Company’s filings are also available to the public from the SEC’s website at http://www.sec.gov.

The Company’s Code of Conduct (Whistleblower Policy) and each of the charters for the Audit Committee, Human Resources and Compensation Committee and Nominating and Corporate Governance Committee, are available free of charge on the Company’s website at http://www.mdc-partners.com or by writing to MDC Partners Inc., 745 Fifth Avenue, 19th Floor, New York, New York 10151, Attention: Investor Relations.

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FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. The Company's representatives may also make forward-looking statements orally from time to time. Statements in this document that are not historical facts, including statements about the Company's beliefs and expectations, recent business and economic trends, potential acquisitions, and estimates of amounts for redeemable noncontrolling interests and deferred acquisition consideration, constitute forward-looking statements. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined in this section. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events, if any.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statements. Such risk factors include, but are not limited to, the following:

- successful completion of the convertible preference financing with Goldman Sachs on the anticipated terms and conditions;
- risks associated with the one Canadian securities class action litigation claim;
- risks associated with severe effects of international, national and regional economic conditions;
- the Company's ability to attract new clients and retain existing clients;
- the spending patterns and financial success of the Company's clients;
- the Company's ability to retain and attract key employees;
- the Company's ability to remain in compliance with its debt agreements and the Company's ability to finance its contingent payment obligations when due and payable, including but not limited to those relating to redeemable noncontrolling interests and deferred acquisition consideration;
- the successful completion and integration of acquisitions which complement and expand the Company's business capabilities; and
- foreign currency fluctuations.

The Company's business strategy includes ongoing efforts to engage in acquisitions of ownership interests in entities in the marketing communications services industry. The Company intends to finance these acquisitions by using available cash from operations, from borrowings under the Credit Agreement (as defined below) and through incurrence of bridge or other debt financing, any of which may increase the Company's leverage ratios, or by issuing equity, which may have a dilutive impact on existing shareholders proportionate ownership. At any given time, the Company may be engaged in a number of discussions that may result in one or more acquisitions. These opportunities require confidentiality and may involve negotiations that require quick responses by the Company. Although there is uncertainty that any of these discussions will result in definitive agreements or the completion of any transactions, the announcement of any such transaction may lead to increased volatility in the trading price of the Company's securities.

Investors should carefully consider these risk factors and the additional risk factors outlined in more detail in this Annual Report on Amendment No. 1 on Form 10-K/A under Item 1A, under the caption "Risk Factors" and in the Company's other SEC filings.

SUPPLEMENTARY FINANCIAL INFORMATION

The Company reports its financial results in accordance with generally accepted accounting principles of the United States of America ("U.S. GAAP"). However, the Company has included certain non-U.S. GAAP financial measures and ratios, which it believes, provide useful information to both management and readers of this report in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by U.S. GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other titled measures determined in accordance with U.S. GAAP.

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PART I

Item 1. Business

MDC PARTNERS INC.

MDC was formed by Certificate of Amalgamation effective December 19, 1986, pursuant to the Business Corporations Act (Ontario). Effective December 19, 1986, MDC amalgamated with Branbury Explorations Limited, and thereby became a public company operating under the name of MDC Corporation. On January 1, 2004, MDC changed its name to its current name, MDC Partners Inc., and on June 28, 2004, MDC was continued under Section 187 of the Canada Business Corporations Act. MDC's registered address is located at 33 Draper Street, Toronto, Ontario, M5V 2M3, and its head office address is located at 745 Fifth Avenue, 19th Floor, New York, New York 10151.

About Us

MDC is a leading provider of global marketing, advertising, activation, communications and strategic consulting solutions. MDC and its Partner Firms (as defined below) deliver a wide range of customized services, including (1) global advertising and marketing services, (2) media buying, planning and optimization, (3) interactive and mobile marketing, (4) direct marketing, (5) database and customer relationship management, (6) sales promotion, (7) corporate communications, (8) market research, (9) data analytics and insights, (10) corporate identity, design and branding services, (11) social media communications, (12) product and service innovation and (13) e-commerce management.

Market Strategy

MDC's strategy is to build, grow and acquire market-leading businesses that deliver innovative, value-added marketing, activation, communications and strategic consulting services to their clients. By doing so, MDC strives to be a partnership of marketing communications and consulting companies (or "Partner Firms") whose strategic, creative and innovative solutions are media-agnostic, challenge the status quo, achieve measurable superior returns on investment, and drive transformative growth and business performance for its clients and stakeholders.

The MDC model is driven by three key elements:

Perpetual Partnership. The perpetual partnership model creates ongoing alignment of interests between MDC and its Partner Firms to drive the Company's overall performance by (1) identifying the "right" Partner Firms with a sustainable differentiated position in the marketplace, (2) creating the "right" partnership structure by taking a majority ownership position and leaving a substantial noncontrolling equity or economic ownership position in the hands of operating management to incentivize long-term growth, (3) providing succession planning support and compensation models to incentivize future leaders and second-generation executives, (4) leveraging the network's scale to provide access to strategic resources and best practices and (5) focusing on delivering financial results.

Entrepreneurialism. The entrepreneurial spirit of both MDC and its Partner Firms is optimized through (1) its unique perpetual partnership model that incentivizes senior-level involvement and ambition, (2) access to shared resources within the Corporate Group that allow individual firms to focus on client business and company growth and (3) MDC's collaborative creation of customized solutions to support and grow Partner Firm businesses.

Human and Financial Capital. The perpetual partnership model balances accountability with financial flexibility and meaningful incentives to support growth.

Financial Reporting Segments

MDC conducts its business through its network of Partner Firms, the "Advertising and Communications Group", who provide a comprehensive array of marketing and communications services for clients both domestically and globally. The Partner Firms provide a wide range of service offerings, which in some cases are the same or similar service offerings. The core or principal service offerings are the key factors that distinguish the Partner Firms from one another. Each Partner Firm represents an operating segment and the Company aggregates its Partner Firms to report in four reportable segments, plus an "All Other" category.

The four reportable segments are as follows:

Global Integrated Agencies - This segment is comprised of the Company's six global, integrated Partner Firms with broad marketing communication capabilities, including advertising, branding, digital, social media, design and production services, serving multinational clients around the world.
Domestic Creative Agencies - This segment is comprised of four Partner Firms that are national advertising agencies leveraging creative capabilities at their core.

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Specialist Communications - This segment is comprised of seven Partner Firms that are each communications agencies with core service offerings in public relations and related communications services.
Media Services - This segment is comprised of a unique single operating segment with media buying and planning as its core competency.
The All Other category consists of the Company's remaining Partner Firms that provide a range of diverse marketing communication services, but are not eligible for aggregation with the reportable segments. Each of the Partner Firms in the All Other category represent less than 10% of consolidated revenue and do not meet the criteria to be a separate reportable segment.
In addition, MDC reports its corporate office expenses incurred in connection with the strategic resources provided to the Partner Firms, as well as certain other centrally managed expenses that are not fully allocated to the Partner Firms as Corporate. Corporate provides client and business development support to the Partner Firms as well as certain strategic resources, including accounting, administrative, financial, real estate, human resource and legal functions. Additional expenses managed by the corporate office that are directly related to the Partner Firms are allocated to the appropriate reportable segment and the All Other category.
For further information relating to the Company’s segments, including financial information, refer to Note 14 (Segment Information) of the Notes to the Consolidated Financial Statements included in this Annual Report and to “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
Ownership Information
The table below sets forth MDC’s voting ownership percentage of each listed Partner Firm as of December 31, 2016. The table does not display all agencies or components within each Partner Firm, for which MDC may or may not maintain the same ownership percentage. MDC maintains a majority or 100% ownership position in substantially all of its Partner Firms, with management of the agencies owning the remaining equity if any. However, MDC’s effective economic interest in each Partner Firm may vary from its voting ownership interest due to certain factors, such as the existence of contingent deferred acquisition payments and/or cash distribution limitations related to noncontrolling interest holders. See footnote 4 to the Notes to the Consolidated Financial Statements for more information regarding the Company’s contingent purchase price obligations and noncontrolling interests.

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MDC PARTNERS INC.
SCHEDULE OF ADVERTISING AND COMMUNICATIONS COMPANIES

Company	Year of Initial Investment	Locations	Ownership %	
Consolidated:				
Global Integrated Agencies:				
72andSunny	2010	Los Angeles, New York, Netherlands, UK	100.0	%
Anomaly	2011	New York, Los Angeles, Netherlands, Canada, UK, China	100.0	%
Crispin Porter + Bogusky	2001	Miami, Boulder, Los Angeles, UK, Sweden, Denmark, Brazil, China	100.0	%
Doner	2012	Detroit, Cleveland, Los Angeles, UK	30%/ 70%*	
Forsman & Bodenfors	2016	Sweden	100.0	%
kbs	2004	New York, Canada, China, UK, Los Angeles	100.0	%
Domestic Creative Agencies:				
Colle + McVoy	1999	Minneapolis	100.0	%
Laird + Partners	2011	New York	65.0	%
Mono Advertising	2004	Minneapolis, San Francisco	70.0	%
Union	2013	Canada	75.0	%
Specialist Communications:				
Allison & Partners	2010	San Francisco, Los Angeles, New York and other US Locations, China, France, Singapore, UK, Japan, Germany	75.5	%
HL Group Partners	2007	New York, Los Angeles, China	100.0	%
Hunter PR	2014	New York, UK	65.0	%
Kwittken	2010	New York, UK, Canada	75.0	%
Luntz Global	2014	Washington, D.C.	100.0	%
Sloane & Company	2010	New York	100.0	%
Veritas	1993	Canada	95.0	%
Media Services:				
MDC Media Partners	2010	New York, Detroit, Atlanta, Los Angeles, Austin	100.0	%
All Other:				
6degrees Communications	1993	Canada	74.9	%
Bruce Mau Design	2004	Canada	100.0	%
Civilian	2000	Chicago	100.0	%
Concentric Partners	2011	New York, UK	72.8	%
Gale Partners	2014	Canada, New York, India	60.0	%
Hello Design	2004	Los Angeles	49.0	%
Kenna	2010	Canada	100.0	%
Kingsdale	2014	Canada, New York	65.0	%
	1998	Canada, New York, UK, Indonesia	91.8	%

Northstar Research Partners				
Redscout	2007	New York, San Francisco, UK	100.0	%
Relevent	2010	New York	100.0	%

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Rumble Fox	2014	New York	75.5 %
Source Marketing	1998	Norwalk, Pittsburgh	97.0 %
TEAM	2010	Ft. Lauderdale	100.0%
Vitro	2004	San Diego, Austin	81.6 %
Yamamoto	2000	Minneapolis	100.0%
Y Media Labs	2015	Redwood City, New York, India	60.0 %

* The Company has 30% voting interest and convertible preferred interests that allow the Company to increase ordinary voting ownership to 70% at the Company's option.

Competition

In the competitive, highly fragmented marketing and communications industry, MDC's Partner Firms compete for business and talent with the operating subsidiaries of large global holding companies such as Omnicom Group Inc., Interpublic Group of Companies, Inc., WPP plc, Publicis Groupe SA, Dentsu Inc. and Havas SA. These global holding companies generally have greater resources than those available to MDC and its subsidiaries, and such resources may enable them to aggressively compete with the Company's marketing communications businesses. Each of MDC's Partner Firms also faces competition from numerous independent agencies that operate in multiple markets, as well as newer competitors such as IT consulting, tech platforms, and other services firms that have begun to offer marketing-related services. MDC's Partner Firms must compete with all of these other companies to maintain existing client relationships and to obtain new clients and assignments. MDC's Partner Firms compete at this level by providing clients with disruptive marketing ideas and strategies that are focused on increasing clients' revenues and profits. These existing and potential clients include multinational corporations and national companies with mid-to-large sized marketing budgets. MDC also benefits from cooperation among its entrepreneurial Partner Firms through referrals and the sharing of both services and expertise, which enables MDC to service clients' varied marketing needs around the world by crafting custom integrated solutions.

A Partner Firm's ability to compete for new clients is affected in some instances by the policy, which many advertisers and marketers impose, of not permitting their agencies to represent competitive accounts in the same market. In the vast majority of cases, however, MDC's consistent maintenance of separate, independent operating companies has enabled MDC to represent competing clients across its network.

Industry Trends

There are several recent economic and industry trends that affect or may be expected to affect the Company's results of operations. Historically, advertising has been the primary service provided by the marketing communications industry. However, as clients aim to establish one-to-one relationships with customers, and more accurately measure the effectiveness of their marketing expenditures, specialized and digital communications services and database marketing and analytics are consuming a growing portion of marketing dollars. The Company believes these changes in the way consumers interact with media is increasing the demand for a broader range of non-advertising marketing communications services (i.e., direct marketing, sales promotion, interactive, mobile, strategic communications and public relations), which we expect could have a positive impact on our results of operations. In addition, the rise of technology and data solutions have rendered scale less crucial as it once was in areas such as media buying, creating significant opportunities for agile and modern players. Global marketers now demand breakthrough and integrated creative ideas, and no longer require traditional brick-and-mortar communications partners in every market to optimize the effectiveness of their marketing efforts. Combined with the fragmentation of the media landscape, these factors provide new opportunities for small to mid-sized communications companies like those in the MDC network. In addition, marketers now require ever greater speed-to-market to drive financial returns on their marketing and media investment, causing them to turn to more nimble, entrepreneurial and collaborative communications firms like MDC Partner Firms.

As client procurement departments have focused increasingly on marketing services company fees in recent years, the Company has invested in resources to work with client procurement departments to ensure that we are able to deliver against client goals in a mutually beneficial way. For example, the Company has explored new compensation models, such as performance-based incentive payments and equity, in order to greater align our success with our clients. These incentive payments may offset negative pricing pressure from client procurement departments.

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Clients

The Company serves clients in virtually every industry, and in many cases, the same clients in various locations, and through several Partner Firms and across many disciplines. Representation of a client rarely means that MDC handles marketing communications for all brands or product lines of the client in every geographical location. For further information regarding revenues and long-lived assets on a geographical basis for each of the last three years, see Note 14 of the Notes to the Consolidated Financial Statements.

MDC's agencies have written contracts with many of their clients. As is customary in the industry, these contracts generally provide for termination by either party on relatively short notice, usually 90 days. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Overview" for a further discussion of MDC's arrangements with its clients.

During 2016, 2015 and 2014, the Company did not have a client that accounted for 5% or more of revenues. In addition, MDC's ten largest clients (measured by revenue generated) accounted for 23%, 24% and 24% of 2016, 2015 and 2014 revenues, respectively.

Employees

As of December 31, 2016, MDC and its subsidiaries had the following number of employees:

Segment	Total
Global Integrated Agencies	3,131
Domestic Creative Agencies	418
Specialist Communications	678
Media Services	524
All Other	1,309
Corporate	78
Total	6,138

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of the effect of cost of services sold on MDC's historical results of operations. Because of the personal service character of the marketing communications businesses, the quality of personnel is of crucial importance to MDC's continuing success. MDC considers its relations with its employees to be satisfactory.

Effect of Environmental Laws

MDC believes it is substantially in compliance with all regulations concerning the discharge of materials into the environment, and such regulations have not had a material effect on the capital expenditures or operations of MDC.

Item 1A. Risk Factors

The following factors could adversely affect the Company's revenues, results of operations or financial condition. See also "Forward-Looking Statements."

The pending preferred equity financing may not be completed, which could adversely affect our business, results of operations and/or financial condition or the price of our Class A shares.

On February 14, 2017, we entered into a securities purchase agreement (the "Purchase Agreement") with Broad Street Principal Investments, L.L.C., an affiliate of The Goldman Sachs Group Inc. (the "Purchaser"), pursuant to which we have agreed to issue and sell to the Purchaser and the Purchaser has agreed to purchase 95,000 newly authorized Series 4 convertible preference shares for an aggregate purchase price of $95.0 million (the "Preference Shares"). The transaction is expected to close in the first quarter of 2017, subject to the conditions set forth in the Purchase Agreement. Although the Purchase Agreement requires the parties to use reasonable efforts to consummate the transaction, we cannot assure you that all closing conditions will be satisfied or waived. The Purchase Agreement will expire if the closing has not occurred by the sixtieth day following the date of the Purchase Agreement. If the transaction is not completed, we will be subject to a number of risks, including: we must pay costs related to the transaction, including legal and financial advisory fees, whether the transaction is completed or not; the trading price of our Class A shares may decline if the transaction is not completed, to the extent that the market price reflects a

market assumption that the transaction will be completed; we may be required to seek alternative sources of liquidity, as to the availability or terms of which we cannot provide assurance, and we could be subject to litigation related to the failure to complete the transaction or other factors, all of which may adversely affect our business, results of operations and/or financial results and the price of our Class A shares.

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Future economic and financial conditions could adversely impact our financial condition and results.
Advertising, marketing and communications expenditures are sensitive to global, national and regional macroeconomic conditions, as well as specific budgeting levels and buying patterns. Adverse developments including heightened uncertainty could reduce the demand for our services, which could adversely affect our revenue, results of operations, and financial position in 2017.
a. As a marketing services company, our revenues are highly susceptible to declines as a result of unfavorable economic conditions.
Global economic conditions affect the advertising and marketing services industry more severely than other industries. In the past, some clients have responded to weakening economic conditions with reductions to their marketing budgets, which include discretionary components that are easier to reduce in the short term than other operating expenses. This pattern may recur in the future. Decreases in our revenue would negatively affect our financial results, including a reduction of our estimates of free cash flow from operations.
b. If our clients experience financial distress, their weakened financial position could negatively affect our own financial position and results.
We have a diverse client base, and at any given time, one or more of our clients may experience financial difficulty, file for bankruptcy protection or go out of business. The unfavorable economic and financial conditions that have impacted many sectors of the global economy could result in an increase in client financial difficulties that affect us. The direct impact on us could include reduced revenues and write offs of accounts receivable. If these effects were severe, the indirect impact could include impairments of goodwill, covenant violations relating to MDC’s senior secured revolving credit agreement (the “Credit Agreement”) or the $900 million aggregate principal amount of 6.50% notes due 2024 (the “6.50% Notes”), or reduced liquidity. Our ten largest clients (measured by revenue generated) accounted for 23% of our revenue in 2016.
c. Conditions in the credit markets could adversely impact our results of operations and financial position.
Turmoil in the credit markets or a contraction in the availability of credit would make it more difficult for businesses to meet their capital requirements and could lead clients to change their financial relationship with their vendors, including us. If that were to occur, it could materially adversely impact our results of operations and financial position.
MDC competes for clients in highly competitive industries.
The Company operates in a highly competitive environment in an industry characterized by numerous firms of varying sizes, with no single firm or group of firms having a dominant position in the marketplace. MDC is, however, smaller than several of its larger industry competitors. Competitive factors include creative reputation, management, personal relationships, quality and reliability of service and expertise in particular niche areas of the marketplace. In addition, because a firm’s principal asset is its people, barriers to entry are minimal, and relatively small firms are, on occasion, able to take all or some portion of a client’s business from a larger competitor.
While many of MDC’s client relationships are long-standing, companies put their advertising and marketing services businesses up for competitive review from time to time, including at times when clients enter into strategic transactions or experienced senior management changes. From year to year, the identities of MDC’s ten largest customers may change, as a result of client losses and additions and other factors. To the extent that the Company fails to maintain existing clients or attract new clients, MDC’s business, financial condition and operating results may be affected in a materially adverse manner.
The loss of lines of credit under the Credit Agreement could adversely affect MDC’s liquidity and our ability to implement MDC’s acquisition strategy and fund any put options if exercised.
MDC uses amounts available under the Credit Agreement, together with cash flow from operations, to fund its working capital needs, to fund the exercise of put option obligations and to fund our strategy of making selective acquisitions of ownership interests in entities in the marketing communications services industry, including through contingent deferred acquisition payments.

The Company is currently in compliance with all of the terms and conditions of the Credit Agreement. If, however, events were to occur, which result in MDC losing all or a substantial portion of its available credit under the Credit Agreement, or if MDC was prevented from accessing such lines of credit due to other restrictions such as those in the indenture governing the 6.50% Notes, MDC could be required to seek other sources of liquidity. In addition, if MDC were unable to replace this source of liquidity, then MDC's ability to fund its working capital needs and any contingent obligations with respect to put options or contingent deferred acquisition payments would be materially adversely affected.

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We have significant contingent obligations related to deferred acquisition consideration and noncontrolling interests in our subsidiaries, which will require us to utilize our cash flow and/or to incur additional debt to satisfy.

The Company has made a number of acquisitions for which it has deferred payment of a portion of the purchase price, usually for a period between one to five years after the acquisition. The deferred acquisition consideration is generally payable based on achievement of certain thresholds of future earnings of the acquired company and, in certain cases, also based on the rate of growth of those earnings. Once any contingency is resolved, the Company may pay the contingent consideration over time.

The Company records liabilities on its balance sheet for deferred acquisition payments at their estimated value based on the current performance of the business, which are re-measured each quarter. At December 31, 2016, these aggregate liabilities were $229.6 million, of which $108.3 million, $40.0 million, $40.4 million and $40.8 million would be payable in 2017, 2018, 2019 and thereafter, respectively.

In addition to the Company's obligations for deferred acquisition consideration, managers of certain of the Company's acquired subsidiaries hold noncontrolling interests in such subsidiaries. In the case of certain noncontrolling interests related to acquisitions, such managers are entitled to a proportionate distribution of earnings from the relevant subsidiary, which is recognized on the Company's consolidated income statement under "Net income attributable to the noncontrolling interests."

Noncontrolling shareholders often have the right to require the Company to purchase all or part of its interest, either at specified dates or upon the termination of such shareholder's employment with the subsidiary or death (put rights). In addition, the Company usually has rights to call noncontrolling shareholders' interests at a specified date. The purchase price for both puts and calls is typically calculated based on specified formulas tied to the financial performance of the subsidiary.

The Company recorded $60.2 million on its December 31, 2016 balance sheet as redeemable noncontrolling interests for its estimated obligations in respect of noncontrolling shareholder put and call rights based on the current performance of the subsidiaries, $12.5 million of which related to put rights for which, if exercised, the payments are due at specified dates, with the remainder of redeemable noncontrolling interests attributable to put or call rights exercisable only upon termination of employment or death. No estimated obligation is recorded on the balance sheet for noncontrolling interests for which the Company has a call right but the noncontrolling holder has no put right.

Payments to be made by the Company in respect of deferred acquisition consideration and noncontrolling shareholder put rights may be significantly higher than the estimated amounts described above because the actual obligation adjusts based on the performance of the acquired businesses over time, including future growth in earnings from the calculations made at December 31, 2016. Similarly, the payments made by the Company under call rights would increase with growth in earnings of the acquired businesses. The Company expects that deferred contingent consideration and noncontrolling interests for managers may be features of future acquisitions that it may undertake and that it may also grant similar noncontrolling interests to managers of its subsidiaries unrelated to acquisitions.

The Company expects that its obligations in respect of deferred acquisition consideration and payments to noncontrolling shareholders under put and call rights will be a significant use of the Company's liquidity in the foreseeable future, whether in the form of free cash flow or borrowings under the Company's revolving credit agreement or from other funding sources, including the anticipated proceeds from the issuance and sale of $95.0 million of Preference Shares. For further information, see the disclosure under the heading "Business — Ownership Information" and the heading "Liquidity and Capital Resources."

MDC may not realize the benefits it expects from past acquisitions or acquisitions MDC may make in the future.

MDC's business strategy includes ongoing efforts to engage in material acquisitions of ownership interests in entities in the marketing communications services industry. MDC intends to finance these acquisitions by using available cash from operations and through incurrence of debt or bridge financing, either of which may increase its leverage ratios, or by issuing equity, which may have a dilutive impact on its existing shareholders. At any given time MDC may be engaged in a number of discussions that may result in one or more material acquisitions. These opportunities require

confidentiality and may involve negotiations that require quick responses by MDC. Although there is uncertainty that any of these discussions will result in definitive agreements or the completion of any transactions, the announcement of any such transaction may lead to increased volatility in the trading price of its securities.

Our expenses have, in recent periods, increased at a greater rate than revenues, which in part reflects both the increase in expenses for deferred acquisition consideration and from our investment in headcount for certain growth initiatives. Should our acquisitions continue to outperform current expectations, expenses for deferred acquisition consideration could increase as well in future periods. If our growth initiatives do not provide sufficient revenue to offset the incremental costs in future periods, profits could be reduced and severance expense could be incurred in order to return to targeted profit margins over time.

The success of acquisitions or strategic investments depends on the effective integration of newly acquired businesses into MDC's current operations. Such integration is subject to risks and uncertainties, including realization of anticipated synergies and cost savings, the ability to retain and attract personnel and clients, the diversion of management's attention from other business

concerns, and undisclosed or potential legal liabilities of the acquired company. MDC may not realize the strategic and financial benefits that it expects from any of its past acquisitions, or any future acquisitions.

MDC's business could be adversely affected if it loses key clients or executives.

MDC's strategy has been to acquire ownership stakes in diverse marketing communications businesses to minimize the effects that might arise from the loss of any one client or executive. The loss of one or more clients could materially affect the results of the individual Partner Firms and the Company as a whole. Management succession at our operating units is very important to the ongoing results of the Company because, as in any service business, the success of a particular agency is dependent upon the leadership of key executives and management personnel. If key executives were to leave our operating units, the relationships that MDC has with its clients could be adversely affected.

MDC's ability to generate new business from new and existing clients may be limited.

To increase its revenues, MDC needs to obtain additional clients or generate demand for additional services from existing clients. MDC's ability to generate initial demand for its services from new clients and additional demand from existing clients is subject to such clients' and potential clients' requirements, pre-existing vendor relationships, financial conditions, strategic plans and internal resources, as well as the quality of MDC's employees, services and reputation and the breadth of its services. To the extent MDC cannot generate new business from new and existing clients due to these limitations, MDC's ability to grow its business and to increase its revenues will be limited.

MDC's business could be adversely affected if it loses or fails to attract key employees.

Employees, including creative, research, media, account and practice group specialists, and their skills and relationships with clients, are among MDC's most important assets. An important aspect of MDC's competitiveness is its ability to retain key employee and management personnel. Compensation for these key employees is an essential factor in attracting and retaining them, and MDC may not offer a level of compensation sufficient to attract and retain these key employees. If MDC fails to hire and retain a sufficient number of these key employees, it may not be able to compete effectively. If key executives were to leave our operating units, the relationships that MDC has with its clients could be adversely affected.

MDC is exposed to the risk of client defaults.

MDC's agencies often incur expenses on behalf of their clients for productions in order to secure a variety of media time and space, in exchange for which they receive a fee. The difference between the gross cost of the production and media and the net revenue earned by us can be significant. While MDC takes precautions against default on payment for these services (such as credit analysis and advance billing of clients) and has historically had a very low incidence of default, MDC is still exposed to the risk of significant uncollectible receivables from our clients. The risk of a material loss could significantly increase in periods of severe economic downturn. Such a loss could have a material adverse effect on our results of operations and financial position.

MDC's results of operations are subject to currency fluctuation risks.

Although MDC's financial results are reported in U.S. dollars, a portion of its revenues and operating costs are denominated in currencies other than the U.S. dollar. As a result, fluctuations in the exchange rate between the U.S. dollar and other currencies, particularly the Canadian dollar, may affect MDC's financial results and competitive position.

Goodwill and intangible assets may become impaired.

We have recorded a significant amount of goodwill and intangible assets in our consolidated financial statements in accordance with U.S. GAAP resulting from our acquisition activities, which principally represents the specialized know-how of the workforce at the agencies we have acquired. We test, at least annually, the carrying value of goodwill for impairment, as discussed in Note 2 of the Notes to the Consolidated Financial Statements included herein. The estimates and assumptions about future results of operations and cash flows made in connection with the impairment testing could differ from future actual results of operations and cash flows. As discussed in Note 2 and Note 8 of the Notes to the Consolidated Financial Statements included herein, for the year ended December 31, 2016,

we have recorded goodwill impairment of $48.5 million. We have concluded for the years ended December 31, 2015 and 2014 that our goodwill and intangible assets relating to continuing operations are not impaired. Future events could cause us to conclude that the asset values associated with a given operation may become impaired. Any resulting impairment loss could materially adversely affect our results of operations and financial condition. For the year ended December 31, 2016, a goodwill write off of $0.8 million was included in other income (expense) related to the sale of its ownership interests in Bryan Mills Iradesso Corporation ("Bryan Mills") to the noncontrolling shareholders. For the year ended December 31, 2014, a goodwill write off of $15.6 million was included in the loss from discontinued operations as a result of MDC's decision to strategically sell the net assets of Accent Marketing Services, L.L.C. ("Accent").

MDC is subject to regulations and litigation risk that could restrict our activities or negatively impact our revenues.

Advertising and marketing communications businesses are subject to government regulation, both domestic and foreign. There has been an increasing tendency in the United States on the part of advertisers to resort to litigation and self-regulatory

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bodies to challenge comparative advertising on the grounds that the advertising is false and deceptive. Moreover, there has recently been an expansion of specific rules, prohibitions, media restrictions, labeling disclosures, and warning requirements with respect to advertising for certain products and the usage of personally identifiable information. Representatives within government bodies, both domestic and foreign, continue to initiate proposals to ban the advertising of specific products and to impose taxes on or deny deductions for advertising which, if successful, may have an adverse effect on advertising expenditures and consequently MDC's revenues.

Certain of MDC's agencies produce software and e-commerce tools for their clients, and these product offerings have become increasingly subject to litigation based on allegations of patent infringement or other violations of intellectual property rights. As we expand these product offerings, the possibility of an intellectual property claim against us grows. Any such claim, with or without merit, could result in costly litigation and distract management from day-to-day operations and may result in us deciding to enter into license agreements to avoid ongoing patent litigation costs. If we are not successful in defending such claims, we could be required to stop offering these services, pay monetary amounts as damages, enter into royalty or licensing arrangements, or satisfy indemnification obligations that we have with some of our clients. Such arrangements may cause our operating margins to decline.

In addition, laws and regulations related to user privacy, use of personal information and internet tracking technologies have been proposed or enacted in the United States and certain international markets. These laws and regulations could affect the acceptance of the internet as an advertising medium. These actions could affect our business and reduce demand for certain of our services, which could have a material adverse effect on our results of operations and financial position.

We rely extensively on information technology systems.

We rely on information technologies and infrastructure to manage our business, including digital storage of client marketing and advertising information, developing new business opportunities and processing business transactions. Our information technology systems are potentially vulnerable to system failures and network disruptions, malicious intrusion and random attack. While we have taken what we believe are prudent measures to protect our data and information technology systems, we cannot assure you that our efforts will prevent system failures or network disruptions or breaches in our systems. Any such breakdowns or breaches in our systems or data-protection policies could adversely affect our reputation or business.

The Company is subject to an ongoing securities class action litigation claim and a government investigation.

The Company remains subject to an ongoing securities class action litigation claim in Canada, although the U.S. securities class action was dismissed, with prejudice. We maintain insurance for a lawsuit of this nature; however, our insurance coverage does not apply in all circumstances and may be insufficient to cover the fees and potential damages and/or settlement costs relating to this class action lawsuit. Moreover, adverse publicity associated with this litigation claim could decrease client demand for our partner agencies' services. As a result, the securities class action lawsuit described in more detail under "Item 3 - Legal Proceedings," could have a material adverse effect on our business, reputation, financial condition, results of operations, liquidity and the trading price of our Class A shares.

In addition, one of the Company's subsidiary agencies received a subpoena from the U.S. Department of Justice Antitrust Division concerning its ongoing investigation of production practices in the advertising industry. The Company and its subsidiary are fully cooperating with this confidential investigation. Although the ultimate effect of this investigation is inherently uncertain, we do not at this time believe that the investigation will have a material adverse effect on our results of operations or financial position. However, the ultimate resolution of this investigation could be materially different from our current assessment.

Future issuances of equity securities, which may include securities that would rank senior to our Class A shares, may cause dilution to our existing shareholders and adversely affect the market price of our Class A shares.

The market price of our Class A shares could decline as a result of sales of a large number of our Class A shares in the market, or the sale of securities convertible into a large number of our Class A shares. The perception that these sales could occur may also depress the market price of our Class A shares. On February 14, 2017, we entered into the

Purchase Agreement pursuant to which, subject to the terms and conditions thereof, we expect to issue 95,000 Series 4 convertible preference shares with an initial aggregate liquidation preference of $95.0 million, which will be convertible into Class A shares or our Series 5 convertible preference shares at an initial conversion price of $10.00 per share. The terms of the Preference Shares will provide that the conversion price may be reduced, which would result in the Preference Shares being convertible into additional Class A shares, upon certain events including distributions on our Class A shares or issuances of additional Class A shares or equity-linked securities at a price less than the then-applicable conversion price. The conversion of the Preference Shares may adversely affect the market price of our Class A shares, and the market price of our Class A shares may be affected by factors, such as whether the market price is near or above the conversion price, that could make conversion of the Preference Shares more likely. In addition, the Preference Shares will rank senior to the Class A shares, which could affect the value of the Class A shares on liquidation or, as a result of contractual provisions, on a change in control transaction. For example, pursuant to the Purchase Agreement, the Company has agreed with the Purchaser, with certain exceptions, not to become party to certain change in control transactions that are

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approved by the Board other than a qualifying transaction in which holders of Preference Shares are entitled to receive cash or qualifying listed securities with a value equal to the then-applicable liquidation preference plus accrued and unpaid dividends. See Note 22 of the Notes to the Consolidated Financial Statements for more information regarding the terms of the Preference Shares.

Additionally, any convertible or exchangeable securities that we issue may have rights, preferences and privileges more favorable than those of our Class A shares, and may result in dilution to owners of our Class A shares. Because our decision to issue additional debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future issuances. Also, we cannot predict the effect, if any, of future issuances of our Class A shares on the market price of our Class A shares.

The indenture governing the 6.50% Notes and the Credit Agreement governing our secured line of credit contain various covenants that limit our discretion in the operation of our business.

The indenture governing the 6.50% Notes and the Credit Agreement governing our lines of credit contain various provisions that limit our discretion in the operation of our business by restricting our ability to:

- sell assets;
- pay dividends and make other distributions;
- redeem or repurchase our capital stock;
- incur additional debt and issue capital stock;
- create liens;
- consolidate, merge or sell substantially all of our assets;
- enter into certain transactions with our affiliates;
- make loans, investments or advances;
- repay subordinated indebtedness;
- undergo a change in control;
- enter into certain transactions with our affiliates;
- engage in new lines of business; and
- enter into sale and leaseback transactions.

These restrictions on our ability to operate our business in our discretion could seriously harm our business by, among other things, limiting our ability to take advantage of financing, mergers and acquisitions and other corporate opportunities. The Credit Agreement is subject to various additional covenants, including a senior leverage ratio, a total leverage ratio, a fixed charge coverage ratio, and a minimum EBITDA level (as defined). Events beyond our control could affect our ability to meet these financial tests, and we cannot assure you that they will be met.

Our substantial indebtedness could adversely affect our cash flow and prevent us from fulfilling our obligations, including the 6.50% Notes.

As of December 31, 2016, MDC had $936.4 million, net of debt issuance costs, of indebtedness. In addition, we expect to make additional drawings under the Credit Agreement from time to time. Our ability to pay principal and interest on our indebtedness is dependent on the generation of cash flow by our subsidiaries. Our subsidiaries' business may not generate sufficient cash flow from operations to meet MDC's debt service and other obligations. If we are unable to meet our expenses and debt service obligations, we may need to obtain additional debt, refinance all or a portion of our indebtedness on or before maturity, sell assets or raise equity. We may not be able to obtain additional debt, refinance any of our indebtedness, sell assets or raise equity on commercially reasonable terms or at all, which could cause us to default on our obligations and impair our liquidity. Our inability to generate sufficient cash flow to satisfy our debt obligations, to obtain additional debt or to refinance our obligations on commercially reasonable terms would have a material adverse effect on our business, financial condition and results of operations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, our debt holders could declare all outstanding principal and interest to be due and payable; the lenders under the Credit Agreement could

terminate their commitments to loan us money and foreclose against the assets securing our borrowings; and we could be forced into bankruptcy or liquidation. Our level of indebtedness could have important consequences. For example it could:

- make it more difficult for us to satisfy our obligations with respect to the 6.50% Notes;
- make it difficult for us to meet our obligations with respect to our contingent deferred acquisition payments;

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- limit our ability to increase our ownership stake in our Partner Firms;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital and other activities;
- limit our flexibility in planning for, or reacting to, changes in our business and the advertising industry, which may place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit, particularly in concert with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds or take other actions.

Despite our current debt levels, we may be able to incur substantially more indebtedness, which could further increase the risks associated with our leverage.

We may incur substantial additional indebtedness in the future. The terms of our Credit Agreement and the indenture governing the 6.50% Notes permit us and our subsidiaries to incur additional indebtedness subject to certain limitations. If we or our subsidiaries incur additional indebtedness, the related risks that we face could increase.

We are a holding company dependent on our subsidiaries for our ability to service our debt and pay dividends.

MDC is a holding company with no operations of our own. Consequently, our ability to service our debt and to pay cash dividends on our common stock is dependent upon the earnings from the businesses conducted by our subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. Although our operating subsidiaries have generally agreed to allow us to consolidate and “sweep” cash, subject to the timing of payments due to noncontrolling interest holders, any distribution of earnings to us from our subsidiaries is contingent upon the subsidiaries’ earnings and various other business considerations. Also, our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of common stock to participate in those assets, will be structurally subordinated to the claims of that subsidiary’s creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

Item 1B. Unresolved Staff Comments

The Company received comment letters from the Division of Corporation Finance of the Securities and Exchange Commission (the “SEC”) dated May 18, 2016, August 9, 2016, October 5, 2016, December 16, 2016, February 28, 2017 and June 14, 2017, regarding its Annual Reports on Form 10-K for the fiscal years ended December 31, 2015 and December 31, 2016. The Company has filed detailed responses to each of these letters with the SEC, and we have incorporated into our subsequent periodic filings with the SEC additional disclosures that we believe are responsive to the SEC’s comments. In the Company’s Current Report on Form 8-K filed on August 7, 2017, the Company disclosed that certain SEC comments remained unresolved as of August 7, 2017, specifically relating to the Company’s aggregation of reportable segments in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 280-10.

The Company subsequently disclosed in its Quarterly Report on Form 10-Q for the period ended June 30, 2017, its proposed resolution of the appropriate aggregation of reporting segments. In addition, this Amendment No. 1 on Form 10-K/A includes amended disclosure relating to the recasting of prior segment disclosures into four (4) new reportable segments. However, certain SEC comments remain unresolved as of the date of this filing relating to the Company's aggregation of reportable segments and any related disclosure items. The recasting of prior period segment information does not affect our consolidated financial condition or results of operations, balance sheets, cash flows or goodwill for any period. In addition, there was no impact to management's opinion as to the effectiveness of internal controls.

Item 2. Properties

See the notes to the Company’s consolidated financial statements included in this Annual Report for a discussion of the Company’s lease commitments and “Management’s Discussion and Analysis of Financial Condition and Results of

Operations” for the impact of occupancy costs on the Company’s operating expenses.

The Company maintains office space in many cities in the United States, Canada, Europe, Asia and South America. This space is primarily used for office and administrative purposes by the Company’s employees in performing professional services. This office space is in suitable and well-maintained condition for MDC’s current operations. All of the Company’s materially important office space is leased from third parties with varying expiration dates. Certain of these leases are subject to rent reviews or contain various escalation clauses and certain of our leases require our payment of various operating expenses, which may also be subject to escalation. In addition, leases related to the Company’s non-U.S. businesses are denominated in currencies other than U.S. dollars and are therefore subject to changes in foreign exchange rates.

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Item 3. Legal Proceedings

Final Settlement of SEC Investigation

MDC Partners remains committed to the highest standards of corporate governance and transparency in its reporting practices. In April 2015, the Company announced it was actively cooperating in connection with an SEC investigation of the Company. On January 18, 2017, the Company announced that it reached a final settlement agreement with the Philadelphia Regional Office of the SEC, and that the SEC entered an administrative Order concluding its investigation of the Company.

Under the Order, without admitting or denying liability, the Company agreed that it will not in the future violate Section 17(a)(2) of the Securities Act of 1933 and Sections 13(a), 13(b) and 14(a) of the Securities Exchange Act of 1934 and related rules requiring that periodic filings be accurate; that accurate books and records and a system of internal accounting controls be maintained; and that solicitations of proxies comply with the securities laws. In addition, the Company agreed to comply with all requirements under Regulation G relating to the disclosure and reconciliation of non-GAAP financial measures. Pursuant to the Order, and based upon the Company’s full cooperation with the investigation, the SEC imposed a civil penalty of $1.5 million on the Company to resolve all potential claims against the Company relating to these matters. There will be no restatement of any of the Company’s previously-filed financial statements.

Class Action Litigation

On July 31, 2015, North Collier Fire Control and Rescue District Firefighter Pension Plan (“North Collier”) filed a putative class action suit in the Southern District of New York, naming as defendants MDC, CFO David Doft, former CEO Miles Nadal, and former CAO Mike Sabatino. On December 11, 2015, North Collier and co-lead plaintiff Plymouth County Retirement Association filed an amended complaint, adding two additional defendants, Mitchell Gendel and Michael Kirby, a former member of MDC’s Board of Directors. The plaintiff alleges in the amended complaint violations of § 10(b), Rule 10b-5, and § 20 of the Securities Exchange Act of 1934, based on allegedly materially false and misleading statements in the Company’s SEC filings and other public statements regarding executive compensation, goodwill accounting, and the Company’s internal controls. By order granted on September 30, 2016, the U.S. District Court presiding over the case granted the Company’s motion to dismiss the plaintiffs’ amended complaint in its entirety with prejudice. On November 2, 2016, the lead plaintiffs filed a notice to appeal the U.S. District Court's ruling to the U.S. Court of Appeals for the Second Circuit. On February 21, 2017, the plantiffs voluntarily dismissed their appeal.

On August 7, 2015, Roberto Paniccia issued a Statement of Claim in the Ontario Superior Court of Justice in the City of Brantford, Ontario seeking to certify a class action suit naming the following as defendants: MDC, former CEO Miles S. Nadal, former CAO Michael C. Sabatino, CFO David Doft and BDO U.S.A. LLP. The Plaintiff alleges violations of section 138.1 of the Ontario Securities Act (and equivalent legislation in other Canadian provinces and territories) as well as common law misrepresentation based on allegedly materially false and misleading statements in the Company’s public statements, as well as omitting to disclose material facts with respect to the SEC investigation. The Company intends to continue to vigorously defend this suit. A case management judge has now been appointed but a date for an initial case conference has not yet been set.

Antitrust Subpoena

One of the Company’s subsidiaries received a subpoena from the U.S. Department of Justice Antitrust Division concerning the Division’s ongoing investigation of production practices in the advertising industry. The Company and its subsidiary are fully cooperating with this confidential investigation.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II
Item 5. Market for Registrant's Common Equity Related Stockholder Matters and Issuer Purchases of Equity Securities
Market Information and Holders of Class A Subordinate Voting Shares
The principal market on which the Company's Class A subordinate voting shares are traded is the NASDAQ National Market ("NASDAQ") (symbol: "MDCA"). As of February 21, 2017, the approximate number of registered holders of our Class A subordinate voting shares, including those whose shares are held in nominee name, was 800. Quarterly high and low sales prices per share of the Company's Class A subordinate voting shares, as reported on NASDAQ, for each quarter in the years ended December 31, 2016 and 2015, were as follows:

NASDAQ		
Quarter Ended	High	Low
	($ per Share)	
March 31, 2015	28.65	21.20
June 30, 2015	28.64	18.00
September 30, 2015	20.99	16.15
December 31, 2015	22.55	18.25
March 31, 2016	23.85	16.32
June 30, 2016	23.90	15.94
September 30, 2016	18.64	10.42
December 31, 2016	11.10	2.75

As of February 17, 2017, the last reported sale price of the Class A subordinate voting shares was $9.00 on NASDAQ.
Effective November 11, 2015, the Company voluntarily delisted its shares from the Toronto Stock Exchange ("TSX"). The Company determined that the relatively low trading volume of its shares on the TSX did not justify the financial and administrative costs associated with a dual listing.
Dividend Practice
On November 3, 2016, the Company announced that it was suspending its quarterly dividend indefinitely.
In 2016, MDC's board of directors declared the following dividends: a $0.21 per share quarterly dividend to all shareholders of record as of the close of business on March 4, 2016; a $0.21 per share quarterly dividend to all shareholders of record as of the close of business on May 24, 2016; a $0.21 per share quarterly dividend to all shareholders of record as of the close of business on August 10, 2016.
In 2015, MDC's board of directors declared the following dividends: a $0.21 per share quarterly dividend to all shareholders of record as of the close of business on March 5, 2015; a $0.21 per share quarterly dividend to all shareholders of record as of the close of business on May 8, 2015; a $0.21 per share quarterly dividend to all shareholders of record as of the close of business on August 18, 2015; and a $0.21 per share quarterly dividend to all shareholders of record as of the close of business on November 11, 2015.
In 2014, MDC's board of directors declared the following dividends: a $0.18 per share quarterly dividend to all shareholders of record as of the close of business on March 4, 2014; a $0.18 per share quarterly dividend to all shareholders of record as of the close of business on May 5, 2014; a $0.19 per share quarterly dividend to all shareholders of record as of the close of business on August 5, 2014; and a $0.19 per share quarterly dividend to all shareholders of record as of the close of business on November 10, 2014.
The payment of any future dividends will be at the discretion of MDC's board of directors and will depend upon limitations contained in our Credit Agreement and the indenture governing the 6.50% Notes, future earnings, capital requirements, our general financial condition and general business conditions.

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Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information regarding securities issued under our equity compensation plans as of December 31, 2016:

	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance [Excluding Column (a)]
	(a)	(b)	(c)
Equity compensation plans approved by stockholders	37,500	$ 5.83	1,934,861
Equity compensation plans not approved by stockholders	—	—	—
Total	37,500	5.83	1,934,861

On May 26, 2005, the Company's shareholders approved the 2005 Stock Incentive Plan, which provides for the issuance of 3.0 million Class A shares. On June 2, 2009 and June 1, 2007, the Company's shareholders approved amendments to the 2005 Stock Incentive Plan, which increased the number of shares available for issuance to 6.75 million Class A shares. In addition, the plan was amended to allow shares under this plan to be used to satisfy share obligations under the Stock Appreciation Rights Plan (the "SARS Plan"). On May 30, 2008, the Company's shareholders approved the 2008 Key Partner Incentive Plan, which provides for the issuance of 900,000 Class A shares. On June 1, 2011, the Company's shareholders approved the 2011 Stock Incentive Plan, which provides for the issuance of up to 3.0 million Class A shares. In June 2013, the Company's shareholders approved an amendment to the SARS Plan to permit the Company to issue shares authorized under the SARS Plan to satisfy the grant and vesting of awards under the 2011 Stock Incentive Plan. In June 2016, the Company's shareholders approved the 2016 Stock Incentive Plan, which provides for the issuance of up to 1,500,000 Class A shares.

See also Note 12 of the Notes to the Consolidated Financial Statements included herein.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

For the twelve months ended December 31, 2016, the Company made no open market purchases of its Class A shares or its Class B shares. Pursuant to its Credit Agreement and the indenture governing the 6.50% Notes, the Company is currently limited from repurchasing its shares in the open market.

During 2016, the Company's employees surrendered 205,876 Class A shares valued at approximately $3.4 million in connection with the required tax withholding resulting from the vesting of restricted stock. The Company paid these withholding taxes on behalf of the related employees. These Class A shares were subsequently retired and no longer remain outstanding as of December 31, 2016.

Transfer Agent and Registrar for Common Stock

The transfer agent and registrar for the Company's common stock is Canadian Stock Transfer Trust Company (f/k/a CIBC Mellon Trust Company). Canadian Stock Transfer Trust Company operates a telephone information inquiry line that can be reached by dialing toll-free 1-800-387-0825 or 416-643-5500.

Correspondence may be addressed to:

MDC Partners Inc.

C/o Canadian Stock Transfer Trust Company

P.O. Box 4202, Postal Station A
Toronto, Ontario M5W 0E4

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Item 6. Selected Financial Data

The following selected financial data should be read in connection with Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes that are included in this Amendment No. 1 on Form 10-K/A.

	Years Ended December 31,				
	2016	2015	2014	2013	2012
	(Dollars in Thousands, Except per Share Data)				
Operating Data					
Revenues	$1,385,785	$1,326,256	$1,223,512	$1,062,478	$972,973
Operating income (loss)	$48,431	$72,110	$87,749	$(34,594)	$(17,969)
Income (loss) from continuing operations	$(40,621)	$(20,119)	$6,739	$(134,198)	$(82,250)
Stock-based compensation included in income (loss) from continuing operations	$21,003	$17,796	$17,696	$100,405	$32,197
Loss per Share					
Basic					
Continuing operations attributable to MDC Partners Inc. common shareholders	$(0.89)	$(0.58)	$—	$(2.99)	$(1.93)
Diluted					
Continuing operations attributable to MDC Partners Inc. common shareholders	$(0.89)	$(0.58)	$—	$(2.99)	$(1.93)
Cash dividends declared per share	$0.63	$0.84	$0.74	$0.46	$0.38
Financial Position Data					
Total assets	$1,577,378	$1,577,625	$1,633,751	$1,408,711	$1,335,422
Total debt	$936,436	$728,883	$727,988	$648,612	$422,180
Redeemable noncontrolling interests	$60,180	$69,471	$194,951	$148,534	$117,953
Deferred acquisition consideration	$229,564	$347,104	$205,368	$153,913	$196,446
Fixed charge coverage ratio	N/A	N/A	1.23	N/A	N/A
Fixed charge deficiency	$49,593	$16,764	N/A	$134,754	$63,240

A number of factors that should be considered when comparing the annual results shown above are as follows:

Year Ended December 31, 2016

During 2016, the Company completed one acquisition and a number of transactions with majority owned subsidiaries. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these acquisitions.

On March 23, 2016, the Company issued and sold $900 million aggregate principal amount of the 6.50% Notes. The 6.50% Notes are guaranteed on a senior unsecured basis by all of MDC’s existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure the Credit Agreement. The 6.50% Notes bear interest at a rate of 6.50% per annum, accruing from March 23, 2016. Interest is payable semiannually in arrears on May 1 and November 1 of each year, beginning November 1, 2016. The 6.50% Notes mature on May 1, 2024, unless earlier redeemed or repurchased. The 6.50% Notes were sold in a private placement in reliance on exceptions from registration under the the Securities Act of 1933. The Company received net proceeds from the offering of the 6.50% Notes equal to approximately $880 million. The Company used the net proceeds to redeem all of its existing 6.75% Notes, together with accrued interest, related premiums, fees and expenses and recorded a charge for the loss on redemption of such notes of $33.3 million, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes, including funding of deferred acquisition consideration.

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Year Ended December 31, 2015

During 2015, the Company completed two acquisitions and a number of transactions with majority owned subsidiaries. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these acquisitions.

In May 2015, the Company completed its previously announced sale of the net assets of Accent. For further information, please see Note 10 of the Notes to the Consolidated Financial Statements included herein.

Year Ended December 31, 2014

During 2014, the Company completed a number of acquisitions and a number of transactions with majority owned subsidiaries. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these acquisitions.

On April 2, 2014, the Company issued an additional $75 million aggregate principal amount of its 6.75% Notes. The additional notes were issued under the indenture governing the 6.75% Notes and treated as a single series with the original 6.75% Notes. We received net proceeds from the offering of approximately $77.5 million, and we used the proceeds for general corporate purposes, including the funding of deferred acquisition consideration, working capital, acquisitions, and the repayment of the amount outstanding under our senior secured revolving credit agreement.

During the quarter ended December 31, 2014, the Company made the decision to strategically sell the net assets of Accent. All periods reflect these discontinued operations. For further information, please see Note 10 of the Notes to the Consolidated Financial Statements included herein.

Year Ended December 31, 2013

During 2013, the Company completed an acquisition and a number of transactions with majority owned subsidiaries. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these acquisitions.

On March 20, 2013, the Company issued and sold $550 million aggregate principal amount of the 6.75% Notes. The 6.75% Notes are guaranteed on a senior unsecured basis by all of MDC's existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure the Credit Agreement. The 6.75% Notes bear interest at a rate of 6.75% per annum, accruing from March 20, 2013. Interest is payable semiannually in arrears in cash on May 1 and November 1 of each year, beginning on October 1, 2013. The 6.75% Notes will mature on April 1, 2020, unless earlier redeemed or repurchased. The 6.75% Notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended (the "Securities Act"). The Company received net proceeds from the offering of the 6.75% Notes equal to approximately $537.6 million. The Company used the net proceeds to redeem all of its existing 11% Notes, together with accrued interest, related premiums, fees and expenses and recorded a charge for loss on redemption of notes of $55.6 million, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes. In addition, the Company entered into an amended and restated $225 million senior secured revolving credit agreement due 2018.

In November 2013, stock-based compensation included a charge of $78.0 million relating to the cash settlement of the outstanding Stock Appreciation Rights ("SAR's").

On November 15, 2013, the Company issued an additional $110 million aggregate principal amount of the 6.75% Notes. The additional notes were issued under the indenture governing the 6.75% Notes and treated as a single series with the original 6.75% Notes.

During 2013, the Company discontinued two subsidiaries and an operating division. All periods reflect these discontinued operations. For further information, please see Note 10 of the Notes to the Consolidated Financial Statements included herein.

Year Ended December 31, 2012

During 2012, the Company completed a number of acquisitions.

On December 10, 2012, the Company and its wholly-owned subsidiaries, as guarantors, issued and sold an additional $80 million aggregate principal amount of 11% Notes due 2016 (the "11% Notes"). The additional notes were issued

under the indenture governing the 11% Notes and treated as a single series with the original 11% Notes. The additional notes were sold in a private placement in reliance on exceptions from registration under the Securities Act. The Company received net proceeds before expenses of $83.2 million, which included an original issue premium of $4.8 million, and underwriter fees of $1.6 million. The Company used the net proceeds of the offering to repay the outstanding balance under the Company's revolving credit agreement described elsewhere herein, and for general corporate purposes.

During 2012, the Company discontinued a subsidiary and certain operating divisions. All periods reflect these discontinued operations. For further information, please see Note 10 of the Notes to the Consolidated Financial Statements included herein.

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise indicated, references to a “fiscal year” means the Company’s year commencing on January 1 of that year and ending December 31 of that year (e.g., fiscal year 2016 means the period beginning January 1, 2016, and ending December 31, 2016).

The Company reports its financial results in accordance with generally accepted accounting principles (“GAAP”) of the United States of America (“U.S. GAAP”). In addition, the Company has included certain non-U.S. GAAP financial measures and ratios, which it believes provide useful supplemental information to both management and readers of this report in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by U.S. GAAP and should not be construed as an alternative to other titled measures determined in accordance with U.S. GAAP.

Two such non-U.S. GAAP measures are “organic revenue growth” or “organic revenue decline” that refer to the positive or negative results, respectively, of subtracting both the foreign exchange and acquisition (disposition) components from total revenue growth. The acquisition (disposition) component is calculated by aggregating the prior period revenue for any acquired businesses, less the prior period revenue of any businesses that were disposed of in the current period. The organic revenue growth (decline) component reflects the constant currency impact of (a) the change in revenue of the Partner Firms which the Company has held throughout each of the comparable periods presented and (b) for acquisitions during the current year, the revenue effect from such acquisition as if the acquisition had been owned during the equivalent period in the prior year and (c) for acquisitions during the previous year, the revenue effect from such acquisitions as if they had been owned during that entire year or same period as the current reportable period, taking into account their respective pre-acquisition revenues for the applicable periods and (d) for dispositions, the revenue effect from such disposition as if they had been disposed of during the equivalent period in the prior year. The Company believes that isolating the impact of acquisition activity and foreign currency impacts is an important and informative component to understand the overall change in the Company’s consolidated revenue. The change in the consolidated revenue that remains after these adjustments illustrates the underlying financial performance of the Company’s businesses. Specifically, it represents the impact of the Company’s management oversight, investments and resources dedicated to supporting the businesses’ growth strategy and operations. In addition, it reflects the network benefit of inclusion in the broader portfolio of firms that includes, but is not limited to, cross-selling and sharing of best practices. This approach isolates changes in performance of the business that take place under the Company’s stewardship, whether favorable or unfavorable, and thereby reflects the potential benefits and risks associated with owning and managing a talent-driven services business.

Accordingly, during the first twelve months of ownership by the Company, the organic growth measure may credit the Company with growth from an acquired business that is dependent on work performed prior to the acquisition date, and may include the impact of prior work in progress, existing contracts and backlog of the acquired businesses. It is the presumption of the Company that positive developments that may have taken place at an acquired business during the period preceding the acquisition will continue to result in value creation in the post-acquisition period.

While the Company believes that the methodology used in the calculation of organic revenue change is entirely consistent with our closest U.S. competitors, the calculations may not be comparable to similarly titled measures presented by other publicly traded companies in other industries. Additional information regarding the Company’s acquisition activity as it relates to potential revenue growth is provided in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under “Certain Factors Affecting our Business.”

Amounts reported in millions herein are computed based on the amounts in thousands. As a result, the sum of the components, and related calculations, reported in millions may not equal the total amounts due to rounding.

Executive Summary

MDC conducts its business through its network of Partner Firms, the “Advertising and Communications Group”, who provide a comprehensive array of marketing and communications services for clients both domestically and globally. The Company’s objective is to create shareholder value by building, growing and acquiring market-leading Partner

Firms that deliver innovative, value-added marketing, activation, communications and strategic consulting to their clients. Management believes that shareholder value is maximized with an operating philosophy of “Perpetual Partnership” with proven committed industry leaders in marketing communications.

MDC manages its business by monitoring several financial and non-financial performance indicators. The key indicators that we focus on are revenues, operating expenses and capital expenditures. Revenue growth is analyzed by reviewing a mix of measurements, including (i) growth by major geographic location, (ii) growth by client industry vertical, (iii) growth from existing clients and the addition of new clients, (iv) growth by primary discipline (v) growth from currency changes, and (vi) growth from acquisitions. In addition to monitoring the foregoing financial indicators, the Company assesses and monitors several non-financial performance indicators relating to the business performance of our Partner Firms. These indicators may include a Partner Firm’s recent new client win/loss record; the depth and scope of a pipeline of potential new client account activity; the overall quality of

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the services provided to clients; and the relative strength of the Company’s next generation team that is in place as part of a potential succession plan to succeed the current senior executive team.

As discussed in Note 14 of the Notes to Consolidated Financial Statements included herein based in part on feedback from the SEC, the Company performed a comprehensive review of its reportable segments to determine if aggregation of its operating segments is consistent with the principles detailed in Financial Accounting Standards Board Accounting Standards Codification Topic (“ASC”) 280. Based on the comprehensive review, the Company reassessed the aggregation of its operating segments and identified four new reportable segments. Each Partner Firm represents an operating segment. The Company aggregates Partner Firms that meet the aggregation criteria detailed in ASC 280 into one of the four reportable segments and combines and discloses those Partner Firms that do not meet the aggregation criteria in the All Other category. The following discussion provides additional detailed disclosure for each of the Company’s four reportable segments, plus the All Other category, within the Advertising and Communications Group.

The four reportable segments are as follows:

Global Integrated Agencies - This segment is comprised of the Company’s six global, integrated Partner Firms with broad marketing communication capabilities, including advertising, branding, digital, social media, design and production services, serving multinational clients around the world.

Domestic Creative Agencies - This segment is comprised of four Partner Firms that are national advertising agencies leveraging creative capabilities at their core.

Specialist Communications - This segment is comprised of seven Partner Firms that are each communications agencies with core service offerings in public relations and related communications services.

Media Services - This segment is comprised of a unique single operating segment with media buying and planning as its core competency.

The All Other category consists of the Company's remaining Partner Firms that provide a range of diverse marketing communication services, but are not eligible for aggregation with the reportable segments.

In addition, MDC reports its corporate office expenses incurred in connection with the strategic resources provided to the Partner Firms, as well as certain other centrally managed expenses that are not fully allocated to the Partner Firms as Corporate. Corporate provides client and business development support to the Partner Firms as well as certain strategic resources, including accounting, administrative, financial, real estate, human resource and legal functions. Additional expenses managed by the corporate office that are directly related to the Partner Firms are allocated to the appropriate reportable segment and the All Other category.

The Partner Firms earn revenue from agency arrangements in the form of retainer fees or commissions; from short-term project arrangements in the form of fixed fees or per diem fees for services; and from incentives or bonuses. Additional information about revenue recognition appears in Note 2 of the Notes to the Consolidated Financial Statements included herein.

MDC classifies operating expenses in two distinct cost categories: cost of services sold, and office and general expenses. Cost of services sold is primarily comprised of employee compensation related costs and direct costs related primarily to providing services. Office and general expenses are primarily comprised of rent and occupancy costs and administrative service costs including related employee compensation costs. Also included in office and general expenses are the changes of the estimated value of our contingent purchase price obligations, including the accretion of present value and acquisition related costs. Depreciation and amortization are also included in operating expenses. Because we are a service business, we monitor these costs on a percentage of revenue basis. Cost of services sold tend to fluctuate in conjunction with changes in revenues, whereas office and general expenses and depreciation and amortization, which are not directly related to servicing clients, tend to decrease as a percentage of revenue as revenues increase as a significant portion of these expenses are relatively fixed in nature.

We measure capital expenditures as either maintenance or investment related. Maintenance capital expenditures are primarily composed of general upkeep of our office facilities and equipment that are required to continue to operate

our businesses. Investment capital expenditures include expansion costs, the build out of new capabilities, technology, and other growth initiatives not related to the day to day upkeep of the existing operations. Growth capital expenditures are measured and approved based on the expected return of the invested capital.

Certain Factors Affecting Our Business

Overall Factors Affecting our Business and Results of Operations. The most significant factors include national, regional and local economic conditions, our clients' profitability, mergers and acquisitions of our clients, changes in top management of our clients and our ability to retain and attract key employees. New business wins and client losses occur due to a variety of factors. The two most significant factors are (i) our clients' desire to change marketing communication firms, and (ii) the creative product

that our Partner Firms offer. A client may choose to change marketing communication firms for a number of reasons, such as a change in top management and the new management wants to retain an agency that it may have previously worked with. In addition, if the client is merged or acquired by another company, the marketing communication firm is often changed. Further, global clients are trending to consolidate the use of numerous marketing communication firms to just one or two. Another factor in a client changing firms is the agency's campaign or work product is not providing results and they feel a change is in order to generate additional revenues.

Clients will generally reduce or increase their spending or outsourcing needs based on their current business trends and profitability.

Acquisitions and Dispositions. The Company's strategy includes acquiring ownership stakes in well-managed businesses with world class expertise and strong reputations in the industry. Through the Strategic Resources Group, the Company provides post-acquisition support to Partner Firms in order to help accelerate growth, including in areas such as business and client development (including cross-selling), corporate communications, corporate development, talent recruitment and training, procurement, legal services, human resources, financial management and reporting, and real estate utilization, among other areas. As most of the Company's acquisitions remain as stand-alone entities post acquisition, integration is typically implemented promptly, and new Partner Firms can begin to tap into the full range of MDC's resources immediately. Often the acquired businesses may begin to tap into certain MDC resources in the pre-acquisition period, such as talent recruitment or real estate. The Company engaged in a number of acquisition and disposition transactions during the 2009 to 2016 period, which affected revenues, expenses, operating income and net income. Additional information regarding acquisitions is provided in Note 4 "Acquisitions" and information on dispositions is provided in Note 10 "Discontinued Operations" of the Notes to the Consolidated Financial Statements.

Foreign Exchange Fluctuation. Our financial results and competitive position are affected by fluctuations in the exchange rate between the U.S. dollar and non-U.S. dollar, primarily the Canadian dollar. See also "Item 7A - Quantitative and Qualitative Disclosures About Market Risk - Foreign Exchange."

Seasonality. Historically, with some exceptions, we generate the highest quarterly revenues during the fourth quarter in each year. The fourth quarter has historically been the period in the year in which the highest volumes of media placements and retail related consumer marketing occur.

Fourth Quarter Results. Revenues were $390.4 million for the fourth quarter of 2016, representing an increase of $31.4 million or 8.8%, compared to revenue of $359.0 million in fourth quarter of 2015. Revenue from acquisitions for the fourth quarter of 2016 was $24.7 million or 6.9%, inclusive of a $3.3 million contribution to organic revenue growth. A negative impact $0.5 million is also included to reflect the effect of a disposition. Excluding the effect of the acquisitions and disposition, revenue growth was $10.3 million or 2.9%, partially offset by a foreign exchange impact of $3.0 million or 0.8%. The increase in operating profits was attributable to a decrease in deferred acquisition consideration expense of $51.1 million due to certain Partner Firms under-performance in comparison to the Company's prior expectations, partially offset by a goodwill impairment expense increase of $18.9 million pertaining to a strategic communication unit. Income from continuing operations for the fourth quarter of 2016 was $11.2 million, compared to a loss from continuing operations of $24.0 million in 2015. Other income, net decreased by $6.0 million or 88.9% from $6.8 million in 2015, to $0.8 million in 2016. Of this amount, $6.5 million was due to income from the sale of certain investments in 2015. Unrealized losses increased $0.6 million or 5.8% due to foreign currency fluctuations. Interest expense increased $1.6 million or 10.9% from $14.8 million in 2015, to $16.4 million in 2016. Income tax benefit increased $16.3 million from an expense of $5.8 million in 2015, compared to a benefit of $10.6 million in 2016.

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Results of Operations for the Years Ended December 31, 2016, 2015 and 2014:

	Years Ended December 31,		
	2016	2015	2014
Revenue:			
Global Integrated Agencies	$696,410	$652,987	$600,150
Domestic Creative Agencies	85,953	91,658	83,196
Specialist Communications	170,285	153,920	124,938
Media Services	131,498	132,419	120,852
All Other	301,639	295,272	294,376
Corporate	—	—	—
Total	$1,385,785	$1,326,256	$1,223,512
Segment operating income (loss):			
Global Integrated Agencies	$58,505	$66,161	$67,290
Domestic Creative Agencies	16,583	17,535	14,266
Specialist Communications	1,939	18,047	16,242
Media Services	6,154	20,116	29,706
All Other	9,368	15,423	28,322
Corporate	(44,118)	(65,172)	(68,077)
Total	$48,431	$72,110	$87,749
Other Income (Expense):			
Other income, net	$414	$7,238	$689
Foreign exchange loss	(213)	(39,328)	(18,482)
Interest expense and finance charges, net	(98,348)	(57,436)	(54,847)
Income (loss) continuing operations before income taxes and equity in earnings of non-consolidated affiliates	(49,716)	(17,416)	15,109
Income tax expense (benefit)	(9,404)	3,761	9,776
Income (loss) from continuing operations before equity in earnings of non-consolidated affiliates	(40,312)	(21,177)	5,333
Equity in earnings (loss) of non-consolidated affiliates	(309)	1,058	1,406
Income (loss) from continuing operations	(40,621)	(20,119)	6,739
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	—	(6,281)	(21,260)
Net loss	(40,621)	(26,400)	(14,521)
Net income attributable to the noncontrolling interest	(5,218)	(9,054)	(6,890)
Net loss attributable to MDC Partners Inc.	$(45,839)	$(35,454)	$(21,411)

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	Years Ended December 31,		
	2016	2015	2014
Depreciation and amortization:			
Global Integrated Agencies	$21,447	$20,599	$17,410
Domestic Creative Agencies	1,653	1,855	1,809
Specialist Communications	6,637	11,201	8,272
Media Services	5,718	4,660	6,113
All Other	9,406	12,134	11,783
Corporate	1,585	1,774	1,785
Total	46,446	52,223	47,172
Stock-based compensation:			
Global Integrated Agencies	$12,141	$6,981	$5,043
Domestic Creative Agencies	634	644	394
Specialist Communications	3,629	1,510	2,050
Media Services	301	471	918
All Other	1,773	5,450	3,628
Corporate	2,525	2,740	5,663
Total	$21,003	$17,796	$17,696
Capital expenditures:			
Global Integrated Agencies	$16,439	$17,043	$19,669
Domestic Creative Agencies	1,055	1,321	818
Specialist Communications	2,741	1,311	632
Media Services	5,110	825	475
All Other	4,054	2,704	3,485
Corporate	33	371	1,337
Total	$29,432	$23,575	$26,416

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue was $1.39 billion for the year ended December 31, 2016, representing an increase of $59.5 million, or 4.5%, compared to revenue of $1.33 billion for the year ended December 31, 2015. Revenue from acquisitions for 2016 was $51.1 million or 3.8%, inclusive of a $10.1 million contribution to organic revenue growth. Additionally, a negative impact of $0.5 million is included to reflect a disposition. Excluding the effect of the acquisitions and disposition, revenue growth was $20.0 million or 1.5%, partially offset by an adverse foreign exchange impact of $11.0 million or 0.8%.

Operating profit for the year ended 2016 was $48.4 million, compared to $72.1 million in 2015. Operating profit decreased by $44.7 million in the Advertising and Communications Group, while Corporate operating expenses decreased by $21.1 million.

Loss from continuing operations was $40.6 million in 2016, compared to a loss of $20.1 million in 2015. The increase of $20.5 million was primarily attributable to (1) a decrease in operating profit of $23.7 million, primarily due to goodwill impairment expense of $48.5 million, (2) an increase in net interest expense of $40.9 million, partially offset by (3) a decrease in foreign exchange loss of $39.1 million, (4) a decrease in other income, net, of $6.8 million, and (5) an increase in the income tax benefit of $13.2 million.

Advertising and Communications Group

The following discussion provides additional detailed disclosure for the Company's network of Partner Firms, the Advertising and Communications Group. The Adverting and Communications Group includes the Company’s four (4) reportable segments plus its "All Other” category.

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Revenue in the Advertising and Communications Group was $1.39 billion for the year ended December 31, 2016, representing an increase of $59.5 million, or 4.5%, compared to revenue of $1.33 billion for the year ended December 31, 2015. Revenue from acquisitions for 2016 was $51.1 million or 3.8%, inclusive of a $10.1 million contribution to organic revenue growth. Additionally, a negative impact of $0.5 million is included to reflect a disposition. Excluding the effect of the acquisitions and dispositions, revenue growth was $20.0 million or 1.5%, partially offset by an adverse foreign exchange impact of $11.0 million or 0.8%, which was attributable to new client wins partially offset by client losses and reductions in spending by some clients. There was mixed performance by client sector, with strength in communications, food & beverage and auto, offset by declines led by retail, technology, and financial services. The performance by disciplines was mixed with strength led by technology & data science, and public relations, partially offset by declines primarily in design firms. For the year ended December 31, 2016, revenue was negatively impacted by decreased billable pass-through costs incurred on client's behalf from the Company acting as principal in experiential and other businesses.

Revenue growth in the Advertising and Communications Group was driven by the Company's business outside of North America primarily consisting of revenue from acquisitions of $40.4 million or 3.1%, inclusive of a $6.2 million contribution to organic revenue growth. Revenue growth excluding acquisitions was $12.3 million or 0.9%, partially offset by an adverse foreign exchange impact of $6.9 million or 0.5%. The revenue growth in North America was comprised of revenue from acquisitions of $10.7 million or 0.8%, in addition to revenue growth of $8.0 million or 0.6% excluding acquisitions from the United States, offset by a minimal revenue decrease from Canada. United States saw modest growth due to client wins partially offset by client losses and reduction in client spending, as well as decrease in billable pass-through cost. The majority of the revenue growth outside of North America was attributable to the Company's European and Asian operations.

The Company also utilizes a non-GAAP metric called organic revenue growth (decline), defined in Item 7. For the year ended December 31, 2016, organic revenue growth was $30.1 million or 2.3%, of which $20.0 million pertained to Partner Firms which the Company has held throughout each of the comparable periods presented, while the remaining $10.1 million was contributed by acquisitions. The increase in revenue was also a result of non-GAAP acquisition (disposition), net adjustments of $42.0 million or 3.2%, which was partially offset by an adverse foreign exchange impact of $12.5 million or 0.9%.

The components of the change in revenues in the Advertising and Communications Group for the year ended December 31, 2016 were as follows:

		2016 Non-GAAP Activity				Change			
Advertising and Communications Group	2015 Revenue	Foreign Exchange	Non-GAAP Acquisitions (Dispositions), net	Organic Revenue Growth (Decline)	2016 Revenue	Foreign Exchange	Non-GAAP Acquisitions (Dispositions), net	Organic Revenue Growth (Decline)	Total Revenue
	(Dollars in Millions)								
United States	$1,085.1	$—	$ 6.8	$ 11.9	$1,103.7	— %	0.6 %	1.1 %	1.7 %
Canada	129.0	(4.1)	(0.5)	(0.3)	124.1	(3.2)%	(0.4)%	(0.2)%	(3.8)%
Other	112.2	(8.4)	35.7	18.5	158.0	(7.5)%	31.9 %	16.5 %	40.8 %
Total	$1,326.3	$(12.5)	$ 42.0	$ 30.1	$1,385.8	(0.9)%	3.2 %	2.3 %	4.5 %

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The below is a reconciliation between the revenue in the Advertising and Communications Group from acquired businesses in the statement of operations to non-GAAP acquisitions (dispositions), net for the year ended December 31, 2016:

	Global Integrated Agencies	Media Services	All Other	Total
	(Dollars in Millions)			
Revenue from acquisitions (dispositions), net [1]	$39.6	$ 4.8	$6.7	$51.1
Foreign exchange impact	1.5	—	—	1.5
Contribution to organic revenue growth (decline) [2]	(5.9)	(1.4)	(2.8)	(10.1)
Prior year revenue from dispositions	—	—	(0.5)	(0.5)
Non-GAAP acquisitions (dispositions), net	$35.1	$ 3.5	$3.4	$42.0

(1) For the year ended December 31, 2016, revenue from acquisitions was comprised of $11.5 million from acquisitions completed in 2015 and $39.6 million from acquisitions completed in 2016.

(2) Contributions to organic revenue growth (decline) represents the change in revenue, measured on a constant currency basis, relative to the comparable pre-acquisition period for acquired businesses that is included in the Company’s organic revenue growth (decline) calculation.

The geographic mix in revenues in the Advertising and Communications Group for the years ended December 31, 2016 and 2015 was as follows:

	2016	2015
United States	79.6%	81.8%
Canada	9.0 %	9.7 %
Other	11.4%	8.5 %

Overall, organic revenue growth in the Advertising and Communications Group was driven by the Company's business outside of North America, with organic revenue growth of 16.5%, primarily attributable to new client wins and increased spend from existing clients as the Company extended its capabilities into new markets throughout Europe, Asia, and South America. For the year ended December 31, 2016, 11.4% of the Company's total revenue came from outside North America, up from 8.5% for the year ended December 31, 2015. Additional revenue growth came from acquisitions of Partner Firms that helped expand the Company's capabilities in mobile development and digital media buying, as well as expand the Company's global footprint.

The adverse currency impact was primarily due to the weakening of the British Pound and the Canadian dollar against the U.S. dollar during the twelve months ended December 31, 2016, as compared to the twelve months ended December 31, 2015.

The change in expenses as a percentage of revenue in the Advertising and Communications Group for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Advertising and Communications Group	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Revenue	$1,385.8		$1,326.3		$59.5	4.5 %
Operating expenses						
Cost of services sold	936.1	67.6 %	879.7	66.3 %	56.4	6.4 %
Office and general expenses	263.7	19.0 %	258.8	19.5 %	4.9	1.9 %
Depreciation and amortization	44.9	3.2 %	50.4	3.8 %	(5.6)	(11.1)%
Goodwill impairment	48.5	3.5 %	—	— %	48.5	NA
	$1,293.2	93.3 %	$1,189.0	89.6 %	$104.3	8.8 %

Operating profit	$92.5	6.7 %	$137.3	10.4 %	$(44.7)	(32.6)%

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The change in the categories of expenses as a percentage of revenue in the Advertising and Communications Group for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Advertising and Communications Group	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Direct costs [1]	$212.3	15.3 %	$195.3	14.7 %	$17.0	8.7 %
Staff costs [2]	781.9	56.4 %	732.4	55.2 %	49.5	6.8 %
Administrative costs	179.2	12.9 %	159.4	12.0 %	19.8	12.4 %
Deferred acquisition consideration	8.0	0.6 %	36.3	2.7 %	(28.4)	(78.1)%
Stock-based compensation	18.5	1.3 %	15.1	1.1 %	3.4	22.7 %
Depreciation and amortization	44.9	3.2 %	50.4	3.8 %	(5.6)	(11.1)%
Goodwill impairment	48.5	3.5 %	—	— %	48.5	NA
Total operating expenses	$1,293.2	93.3 %	$1,189.0	89.6 %	$104.3	8.8 %

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Operating profit in the Advertising and Communications Group in 2016 was $92.5 million, compared to $137.3 million in 2015, with operating margins declining 370 basis points from 10.4% in 2015 to 6.7% in 2016. The decrease in operating profit and margin was largely due to the goodwill impairment charge of $48.5 million and increases in staff costs as a percentage of revenue, partially offset by decreased deferred acquisition consideration expense.

Direct costs in the Advertising and Communications Group increased by $17.0 million, or 8.7% and as a percentage of revenue increased from 14.7% in 2015 to 15.3% in 2016. This increase was largely due to an acquisition during the year.

Staff costs in the Advertising and Communications Group increased by $49.5 million, or 6.8% and as a percentage of revenue increased from 55.2% in 2015 to 56.4% in 2016. The increase in staff costs was due to increased headcount driven by certain Partner Firms to support the growth of their businesses, as well as additional contributions from acquisitions. The increase in staff costs as a percentage of revenue was due to an increase in staffing levels in advance of revenue at certain Partner Firms, as well as slower reductions in staffing at other Partner Firms.

Administrative costs in the Advertising and Communications Group increased year over year and as a percentage of revenue primarily due to higher occupancy expenses and other general and administrative expenses. These increases were incurred to support the growth and expansion of certain Partner Firms, as well as some real estate consolidation initiatives.

Deferred acquisition consideration in the Advertising and Communications Group was expense of $8.0 million in 2016, compared to expense of $36.3 million in 2015. The decrease in deferred acquisition consideration expense was due to the aggregate under-performance of certain Partner Firms in 2016 relative to forecast expectations as compared to 2015. This decrease was partially offset by expenses pertaining to amendments to purchase agreements of previously acquired incremental ownership interests entered into during 2016, as well as increased estimated liability driven by the decrease in the Company's estimated future stock price, pertaining to an acquisition in which the Company used its equity as purchase consideration.

Stock-based compensation in the Advertising and Communications Group remained consistent at approximately 1% of revenue.

Depreciation and amortization expense in the Advertising and Communications Group decreased by $5.6 million primarily due to lower amortization from intangibles related to prior year acquisitions.

Goodwill impairment in the Advertising and Communications Group of $48.5 million was comprised of $27.9 million relating to an experiential reporting unit, a partial impairment of goodwill of $18.9 million relating to a strategic

communications reporting unit, and a partial impairment of goodwill of $1.7 million relating to a non-material reporting unit. For more information see Note 8 of our consolidated financial statements.

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Global Integrated Agencies

Revenue in the Global Integrated Agencies reportable segment was $696.4 million for the year ended December 31, 2016, representing an increase of $43.4 million, or 6.6%, compared to revenue of $653.0 million for the year ended December 31, 2015. The increase related to revenue growth from existing Partner Firms, excluding the effect of acquisitions, of $15.6 million, or 2.4%, as well as revenue from acquisitions of $35.1 million, or 5.4%. These increases were partially offset by an adverse foreign exchange impact of $7.3 million, or 1.1%.

The change in expenses as a percentage of revenue in the Global Integrated Agencies reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Global Integrated Agencies	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Revenue	$696.4		$653.0		$43.4	6.6 %
Operating expenses						
Cost of services sold	472.1	67.8 %	431.3	66.0 %	40.9	9.5 %
Office and general expenses	144.3	20.7 %	135.0	20.7 %	9.4	7.0 %
Depreciation and amortization	21.4	3.1 %	20.6	3.2 %	0.8	4.1 %
	$637.9	91.6 %	$586.8	89.9 %	$51.1	8.7 %
Operating profit	$58.5	8.4 %	$66.2	10.1 %	$(7.7)	(11.6)%

Operating profit in the Global Integrated Agencies reportable segment in 2016 was $58.5 million, compared to $66.2 million in 2015. Operating margins declined by 170 basis points from 10.1% in 2015 to 8.4% in 2016. The decrease in operating profit and margin was largely due to increases in direct costs as a percentage of revenue as well as staff costs, partially offset by decreased deferred acquisition consideration expense.

The change in the categories of expenses as a percentage of revenue in the Global Integrated Agencies reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Global Integrated Agencies	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Direct costs (1)	$65.9	9.5 %	$51.0	7.8 %	$14.9	29.1 %
Staff costs (2)	434.5	62.4 %	406.9	62.3 %	27.6	6.8 %
Administrative costs	92.4	13.3 %	84.3	12.9 %	8.2	9.7 %
Deferred acquisition consideration	11.6	1.7 %	17.1	2.6 %	(5.5)	(32.3)%
Stock-based compensation	12.1	1.7 %	7.0	1.1 %	5.2	73.9 %
Depreciation and amortization	21.4	3.1 %	20.6	3.2 %	0.8	4.1 %
Total operating expenses	$637.9	91.6 %	$586.8	89.9 %	$51.1	8.7 %

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Direct costs in the Global Integrated Agencies reportable segment increased by $14.9 million, or 29.1%, and as a percentage of revenue increased from 7.8% in 2015 to 9.5% in 2016, largely due to contributions from a Partner Firm acquired in the second half of 2016.

Staff costs in the Global Integrated Agencies reportable segment increased by $27.6 million, or 6.8%, and as a percentage of revenue remained consistent at approximately 62.4% in 2015 and 2016. The increase was due to increased headcount at certain Partner Firms to support the growth of their businesses as well as additional contributions from a Partner Firm acquired in the second half of 2016.

Administrative costs in the Global Integrated Agencies reportable segment increased by $8.2 million, or 9.7%, and as a percentage of revenue increased from 12.9% in 2015 to 13.3% in 2016, primarily due to higher occupancy expenses and other

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general and administrative expenses attributable to existing Partner Firms as well as contributions from a Partner Firm acquired in the second half of 2016. These increases were incurred in 2016 to support the growth and expansion of certain Partner Firms and in support of some real estate consolidation initiatives.

Deferred acquisition consideration in the Global Integrated Agencies reportable segment was an expense of $11.6 million in 2016, compared to an expense of $17.1 million in 2015. The decrease was due to the aggregate under-performance of certain Partner Firms in 2016 relative to forecast expectations as compared to 2015 aggregate out-performance relative to forecast expectations in 2015. The decrease was partially offset by expenses pertaining to an amendment to a purchase agreement of previously acquired incremental ownership interests entered into during 2016, as well as increased estimated liability driven by the decrease in the Company's estimated future stock price, pertaining to an equity funded acquisition.

Domestic Creative Agencies

Revenue in the Domestic Creative Agencies reportable segment was $86.0 million for the year ended December 31, 2016, representing a decrease of $5.7 million, or 6.2%, compared to revenue of $91.7 million for the year ended December 31, 2015. The decrease related to a revenue decline of $5.3 million, or 5.9% from existing Partner Firms and an adverse foreign exchange impact of $0.4 million, or 0.4%.

The change in expenses as a percentage of revenue in the Domestic Creative Agencies reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Domestic Creative Agencies	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Revenue	$86.0		$91.7		$(5.7)	(6.2)%
Operating expenses						
Cost of services sold	49.2	57.2 %	53.0	57.9 %	(3.8)	(7.2)%
Office and general expenses	18.5	21.6 %	19.2	21.0 %	(0.7)	(3.7)%
Depreciation and amortization	1.7	1.9 %	1.9	2.0 %	(0.2)	(10.9)%
	$69.4	80.7 %	$74.1	80.9 %	$(4.8)	(6.4)%
Operating profit	$16.6	19.3 %	$17.5	19.1 %	$(1.0)	(5.4)%

Operating profit in the Domestic Creative Agencies reportable segment in 2016 was $16.6 million, compared to $17.5 million in 2015. Operating margins improved 20 basis points from 19.1% in 2015 to 19.3% in 2016. The decrease in operating profit was largely due to a decline in revenue, partially offset by a decrease in staff costs.

The change in the categories of expenses as a percentage of revenue in the Domestic Creative Agencies reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Domestic Creative Agencies	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Direct costs [1]	$2.3	2.6 %	$2.5	2.7 %	$(0.2)	(8.9)%
Staff costs [2]	54.2	63.1 %	58.4	63.7 %	(4.2)	(7.2)%
Administrative costs	10.9	12.7 %	11.3	12.3 %	(0.4)	(3.8)%
Deferred acquisition consideration	(0.3)	(0.3)%	(0.6)	(0.6)%	0.3	(50.7)%
Stock-based compensation	0.6	0.7 %	0.6	0.7 %	—	(1.4)%
Depreciation and amortization	1.7	1.9 %	1.9	2.0 %	(0.2)	(10.9)%
Total operating expenses	$69.4	80.7 %	$74.1	80.9 %	$(4.8)	(6.4)%

(1) Excludes staff costs.

(2)

Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

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Staff costs in the Domestic Creative Agencies reportable segment decreased by $4.2 million, or 7.2%, and as a percentage of revenue decreased from 63.7% in 2015 to 63.1% in 2016, primarily due to decreased headcount in client serving functions as a result of a decline in revenue at certain Partner Firms.

Specialist Communications

Revenue in the Specialist Communications reportable segment was $170.3 million for the year ended December 31, 2016, representing an increase of $16.4 million, or 10.6%, compared to revenue of $153.9 million for the year ended December 31, 2015. The increase in revenue was attributable to revenue growth of $17.4 million, or 11.3% from existing Partner Firms, partially offset by an adverse foreign exchange impact of $1.0 million, or 0.7%.

The change in expenses as a percentage of revenue in the Specialist Communications reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Specialist Communications	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Revenue	$170.3		$153.9		$16.4	10.6 %
Operating expenses						
Cost of services sold	118.1	69.4 %	101.4	65.9 %	16.7	16.5 %
Office and general expenses	24.7	14.5 %	23.2	15.1 %	1.4	6.2 %
Depreciation and amortization	6.6	3.9 %	11.2	7.3 %	(4.6)	(40.7)%
Goodwill impairment	18.9	11.1 %	—	— %	18.9	N/A
	$168.3	98.9 %	$135.9	88.3 %	$32.5	23.9 %
Operating profit	$1.9	1.1 %	$18.0	11.7 %	$(16.1)	(89.3)%

Operating profit in the Specialist Communications reportable segment in 2016 was $1.9 million, compared to $18.0 million in 2015. Operating margins declined 1,060 basis points from 11.7% in 2015 to 1.1% in 2016. The decrease in operating profit and margin was largely due to a goodwill impairment as well as increases in both staff costs and direct costs as a percentage of revenue, partially offset by a decrease in depreciation and amortization and higher income from deferred acquisition consideration.

The change in the categories of expenses as a percentage of revenue in the Specialist Communications reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Specialist Communications	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Direct costs (1)	$41.9	24.6 %	$34.0	22.1 %	$8.0	23.4 %
Staff costs (2)	80.8	47.5 %	72.2	46.9 %	8.6	11.9 %
Administrative costs	21.7	12.7 %	19.6	12.7 %	2.1	10.7 %
Deferred acquisition consideration	(5.2)	(3.1)%	(2.6)	(1.7)%	(2.6)	101.5 %
Stock-based compensation	3.6	2.1 %	1.5	1.0 %	2.1	140.2 %
Depreciation and amortization	6.6	3.9 %	11.2	7.3 %	(4.6)	(40.7)%
Goodwill impairment	$18.9	11.1 %	$—	— %	$18.9	N/A
Total operating expenses	$168.3	98.9 %	$135.9	88.3 %	$32.5	23.9 %

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Direct costs in the Specialist Communications reportable segment increased by $8.0 million, or 23.4%, and as a percentage of revenue increased from 22.1% in 2015 to 24.6% in 2016, primarily due to an increase in pass-through

costs incurred on clients’ behalf at certain Partner Firms acting as principal verses agent.

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Staff costs in the Specialist Communications reportable segment increased by $8.6 million, or 11.9%, and as a percentage of revenue increased from 46.9% in 2015 to 47.5% in 2016, primarily due to increased headcount at certain Partner Firms to support the growth of their businesses.

Depreciation and amortization in the Specialist Communications reportable segment decreased by $4.6 million, or 40.7%, and as a percentage of revenue decreased from 7.3% in 2015 to 3.9% in 2016, primarily due to lower amortization from intangibles related to prior year acquisitions.

Goodwill impairment in the Specialist Communications reportable segment was $18.9 million in 2016 pertaining to a partial impairment of goodwill relating to one of the Company's strategic communications reporting units. For more information see Note 8 of our consolidated financial statements.

Media Services

Revenue in the Media Services reportable segment was $131.5 million for the year ended December 31, 2016 compared to revenue of $132.4 million for the year ended December 31, 2015, representing a decrease of $0.9 million, or 0.7%. The decrease in revenue was driven by revenue declines of $4.4 million, or 3.3% from existing Partner Firms, excluding the effect of acquisitions, partially offset by revenue contribution from an acquired Partner Firm of $3.5 million, or 2.6%.

The change in expenses as a percentage of revenue in the Media Services reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Media Services	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Revenue	$131.5		$132.4		$(0.9)	(0.7)%
Operating expenses						
Cost of services sold	95.4	72.5%	92.4	69.8%	2.9	3.2%
Office and general expenses	24.3	18.5%	15.2	11.5%	9.0	59.4%
Depreciation and amortization	5.7	4.3%	4.7	3.5%	1.1	22.7%
	$125.3	95.3%	$112.3	84.8%	$13.0	11.6%
Operating profit (loss)	$6.2	4.7%	$20.1	15.2%	$(14.0)	(69.4)%

Operating profit in the Media Services reportable segment in 2016 was $6.2 million, compared to $20.1 million in 2015. Operating margins declined 1,050 basis points from 15.2% in 2015 to 4.7% in 2016. The decrease in operating profit and margin was largely due to increases as a percentage of revenue in both staff costs and administrative costs, partially offset by a decrease in direct costs.

The change in the categories of expenses as a percentage of revenue in the Media Services reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Media Services	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Direct costs [1]	$31.2	23.7%	$36.2	27.3%	$(5.0)	(13.7)%
Staff costs [2]	64.8	49.3%	57.5	43.5%	7.3	12.7%
Administrative	22.7	17.3%	17.2	13.0%	5.5	32.3%
Deferred acquisition consideration	0.6	0.4%	(3.7)	(2.8)%	4.3	(115.5)%
Stock-based compensation	0.3	0.2%	0.5	0.4%	(0.2)	(36.1)%
Depreciation and amortization	5.7	4.3%	4.7	3.5%	1.1	22.7%
Total operating expenses	$125.3	95.3%	$112.3	84.8%	$13.0	11.6%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Direct costs in the Media Services reportable segment decreased by $5.0 million, or 13.7%, and as a percentage of revenue decreased from 27.3% in 2015 to 23.7% in 2016, primarily due to a decline in pass-through costs incurred on clients' behalf at certain Partner Firms acting as principal verses agent.

Staff costs in the Media Services reportable segment increased by $7.3 million, or 12.7%, and as a percentage of revenue increased from 43.5% in 2015 to 49.3% in 2016. The increase was due to additional headcount at certain Partner Firms to support the growth of their business. The increase in staff costs as a percentage of revenue was due to an increase in staffing levels at certain Partner Firms in advance of revenue.

Administrative costs in the Media Services reportable segment increased by $5.5 million, or 32.3%, and as a percentage of revenue increased from 13.0% in 2015 to 17.3% in 2016. These increases were due to higher occupancy expenses and other general and administrative expenses, which were incurred in 2016 to support the growth and expansion of certain Partner Firms as well as some real estate consolidation initiatives.

All Other

Revenue in the All Other category was $301.6 million for the year ended December 31, 2016, representing an increase of $6.4 million, or 2.2%, compared to revenue of $295.3 million for the year ended December 31, 2015. The increase was driven by revenue growth from existing Partner Firms, excluding acquisitions, of $6.8 million, or 2.3%, as well as contributions from an acquired Partner Firm of $3.9 million, partially offset by an adverse foreign exchange impact of $3.8 million, or 1.3% and a disposition adjustment of $0.5 million, or 0.2%.

The change in expenses as a percentage of revenue in the All Other category for the years ended December 31, 2016 and 2015 was as follows:

All Other	2016 $	% of Revenue	2015 $	% of Revenue	Change $	%
	(Dollars in Millions)					
Revenue	$301.6		$295.3		$6.4	2.2 %
Operating expenses						
Cost of services sold	201.3	66.7 %	201.6	68.3 %	(0.2)	(0.1)%
Office and general expenses	51.9	17.2 %	66.1	22.4 %	(14.2)	(21.5)%
Depreciation and amortization	9.4	3.1 %	12.1	4.1 %	(2.8)	(22.9)%
Goodwill impairment	29.7	9.8 %	$—	— %	29.7	N/A
	$292.3	96.9 %	$279.8	94.8 %	$12.4	4.4 %
Operating profit	$9.4	3.1 %	$15.4	5.2 %	$(6.1)	(39.3)%

Operating profit in the All Other category in 2016 was $9.4 million, compared to $15.4 million in 2015. Operating margins declined 210 basis points from 5.2% in 2015 to 3.1% in 2016. The decrease in operating profit and margin was largely due to the goodwill impairment charge and an increase in staff costs as a percentage of revenue, partially offset by decreased deferred acquisition consideration expense.

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The change in the categories of expenses as a percentage of revenue in the All Other category for the years ended December 31, 2016 and 2015 was as follows:

All Other	2016 $	2016 % of Revenue	2015 $	2015 % of Revenue	Change $	Change %
	(Dollars in Millions)					
Direct costs [1]	$71.0	23.5 %	$71.6	24.3 %	$(0.6)	(0.9)%
Staff costs [2]	147.6	48.9 %	137.4	46.5 %	10.3	7.5 %
Administrative	31.5	10.4 %	27.1	9.2 %	4.4	16.2 %
Deferred acquisition consideration	1.3	0.4 %	26.1	8.9 %	(24.8)	(94.9)%
Stock-based compensation	1.8	0.6 %	5.5	1.8 %	(3.7)	(67.5)%
Depreciation and amortization	9.4	3.1 %	12.1	4.1 %	(2.8)	(22.9)%
Goodwill impairment	29.7	9.8 %	$—	— %	29.7	N/A
Total operating expenses	$292.3	96.9 %	$279.8	94.8 %	$12.4	4.4 %

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Staff costs in the All Other category increased by $10.3 million, or 7.5%, and as a percentage of revenue increased from 46.5% in 2015 to 48.9% in 2016, primarily due to increased headcount at certain Partner Firms to support the growth of their businesses as well as contributions from a 2015 acquisition.

Deferred acquisition consideration in the All Other category was an expense of $1.3 million in 2016, compared to an expense of $26.1 million in 2015. The decrease was due to the aggregate out-performance relative to forecast expectations of certain Partner Firms in 2015 that did not reoccur in 2016.

Goodwill impairment in the All Other category was comprised of $27.9 million relating to an experiential reporting unit and partial impairment of goodwill of $1.7 million relating to a non-material reporting unit. For more information see Note 8 of our consolidated financial statements.

Corporate

The change in operating expenses for Corporate for the years ended December 31, 2016 and 2015 was as follows:

Corporate	2016	2015	Variance $	Variance %
	(Dollars in Millions)			
Staff costs [1]	$27.8	$42.4	$(14.6)	(34.4)%
Administrative costs	12.2	18.2	(6.1)	(33.3)%
Stock-based compensation	2.5	2.7	(0.2)	(7.8)%
Depreciation and amortization	1.6	1.8	(0.2)	(10.7)%
Total operating expenses	$44.1	$65.2	$(21.1)	(32.3)%

(1) Excludes stock-based compensation.

Total operating expenses for Corporate decreased by $21.1 million to $44.1 million in 2016, compared to $65.2 million in 2015.

Staff costs for Corporate decreased by $14.6 million, or 34.4%. The decrease was primarily due to a one-time charge of $5.8 million in 2015 for the balance of prior cash bonus award amounts that were paid to the former Chief Executive Officer ("CEO") and Chief Accounting Officer ("CAO") but will not be recovered pursuant to the repayment terms of the applicable Separation Agreements. In addition, there was lower executive compensation expense in 2016.

Administrative costs for Corporate decreased by $6.1 million, or 33.3%, primarily due to reductions in the following categories: (1) legal fees related to the class-action litigation and SEC investigation of $9.6 million, (2) advertising and promotional expenses of $1.4 million, (3) professional fees of $1.0 million, (4) travel and entertainment expenses

of $0.3 million, (5) occupancy costs

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of $0.6 million, and (6) various other administrative costs of $1.1 million. In addition, the Company received $5.9 million of insurance proceeds for the year ended December 31, 2016 compared to $1.0 million for the year ended December 31, 2015 relating to the class-action litigation and SEC investigation. These reductions in administrative costs and receipt of insurance proceeds were partially offset by the $11.3 million of perquisite reimbursements from the former CEO received for the year ended December 31, 2015 and the one-time SEC civil penalty payment of $1.5 million for the year ended December 31, 2016.

Other Income, Net

Other income, net, decreased by $6.8 million from income of $7.2 million for the year ended December 31, 2015 to income of $0.4 million for the year ended December 31, 2016. The decrease pertains to the gain on sale of certain investments completed in 2015 of $6.5 million compared to the gain on sale of investments of $1.9 million completed in 2016, as well as a loss of $0.8 million related to the sale of Bryan Mills to the noncontrolling shareholders. In addition, the Company had other income of $0.4 million in 2016 compared to other income of $0.1 million in 2015.

Foreign Exchange

Foreign exchange loss was $0.2 million in 2016 compared to a foreign exchange loss of $39.3 million in 2015. The foreign exchange losses in both 2016 and 2015 primarily related to the U.S. dollar denominated indebtedness that was an obligation of the Company's Canadian parent company and were driven by the appreciation of the U.S. dollar against the Canadian dollar in the period.

Interest Expense, finance charges, and loss on redemption of notes, net

Interest expense and finance charges, net, for the year ended December 31, 2016 was $65.9 million, an increase of $8.0 million over the $57.9 million of interest expense and finance charges, net, incurred for the year ended December 31, 2015. The increase was due to higher average outstanding debt in 2016. In addition, the Company incurred a $33.3 million loss on redemption of the 6.75% Notes in March 2016.

Income Tax Expense (Benefit)

Income tax benefit for the year ended December 31, 2016 was $9.4 million compared to an expense of $3.8 million for the year ended December 31, 2015. The Company’s effective rate in 2016 and 2015 was lower than the statutory rate due to losses in certain tax jurisdictions where a valuation allowance was deemed necessary.

The Company’s U.S. operating units are generally structured as limited liability companies, which are treated as partnerships for tax purposes. The Company is only taxed on its share of profits, while noncontrolling holders are responsible for taxes on their share of profits.

Equity in Earnings (Losses) of Non-Consolidated Affiliates

Equity in earnings (losses) of non-consolidated affiliates represents the income attributable to equity-accounted affiliate operations. For the year ended December 31, 2016, the Company recorded a loss of $0.3 million compared to earnings of $1.1 million for the year ended December 31, 2015.

Noncontrolling Interests

The effects of noncontrolling interests was $5.2 million for the year ended December 31, 2016, a decrease of $3.9 million from the $9.1 million for the year ended December 31, 2015. This decrease related to an increase in ownership in Partner Firms where there are noncontrolling shareholders.

Discontinued Operations

The loss, net of taxes, from discontinued operations was $6.3 million, for the year ended December 31, 2015. There was no impact for the year ended December 31, 2016.

Net Loss Attributable to MDC Partners Inc.

As a result of the foregoing, the net loss attributable to MDC Partners Inc. for the year ended December 31, 2016 was $45.8 million or a loss of $0.89 per diluted share, compared to a net loss of $35.5 million, or $0.71 per diluted share reported for the year ended December 31, 2015.

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Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue was $1.33 billion for the year ended December 31, 2015, representing an increase of $102.7 million, or 8.4%, compared to revenue of $1.22 billion for the year ended December 31, 2014. Revenue from acquisitions for 2015 was $45.8 million, or 3.7%, inclusive of a $0.8 million contribution to organic revenue growth. Revenue from acquisitions was composed of $32.0 million pertaining to acquisitions completed in 2014 and $13.8 million relating to acquisitions completed in 2015. Excluding the effect of the acquisitions and dispositions, revenue growth was $85.9 million, or 7.0%, partially offset by a foreign exchange impact of $28.9 million, or 2.4%.

Operating profit in 2015 was $72.1 million, compared to $87.7 million in 2014. Operating profit decreased by $18.5 million in the Advertising and Communications Group, while Corporate operating expenses decreased by $2.9 million in 2015.

Loss from continuing operations was $20.1 million in 2015, compared to income of $6.7 million in 2014. The decrease of $26.8 million was primarily attributable to (1) a decrease in operating profits of $15.6 million, primarily due to increased deferred acquisition expense of $19.9 million, (2) an increase in foreign exchange loss of $20.8 million, (3) an increase in net interest expense of $2.6 million, (4) offset by a decrease in income tax expense of $6.0 million, and (5) an increase in other income, net, of $6.5 million.

Advertising and Communications Group

The following discussion provides additional detailed disclosure for each of the Company’s four (4) new reportable segments, plus "All Other”, within the Advertising and Communications Group.

Revenue in the Advertising and Communications Group was $1.33 billion for the year ended December 31, 2015, representing an increase of $102.7 million, or 8.4%, compared to revenue of $1.22 billion for the year ended December 31, 2014. Revenue from acquisitions for 2015 was $45.8 million, or 3.7%, inclusive of a $0.8 million contribution to organic revenue growth. Excluding the effect of the acquisitions and dispositions, revenue growth was $85.9 million, or 7.0%, partially offset by a foreign exchange impact of $28.9 million, or 2.4%.

Revenue growth in the Advertising and Communications Group was attributable to new client wins and increased spend by existing clients. There was broad strength across most disciplines, with growth led by the Company's integrated advertising agencies, and media buying and planning platform, offset by a decline in the Company's promotions and experiential businesses. The promotions and experiential businesses were impacted by decreased billable pass-through costs incurred on the client’s behalf from the Company acting as principal which was due to a different mix of programs that had a smaller component of billable pass-through costs as compared to 2014. The Company's strongest client sectors were automobile, technology, consumer products, and healthcare, while revenue in the the financial and retail sectors declined.

Revenue growth in the Advertising and Communications Group was driven by the Company’s business in North America primarily consisting of revenue from acquisitions of $33.5 million, or 2.7%, as well as revenue growth excluding acquisitions of $58.1 million, or 4.7% from the United States, partially offset by an adverse foreign exchange impact of $20.6 million, or 1.7% in Canada. The revenue growth outside of North America was comprised of revenue from acquisitions of $10.9 million, or 0.9%. Revenue growth excluding acquisitions was $29.9 million, or 2.4%, partially offset by an adverse foreign exchange impact of $8.3 million, or 0.7%. In 2015, approximately 8.5% of the Company's total revenue came from outside of North America, up from approximately 6.5% in 2014.

The Company also utilizes a non-GAAP metric called organic revenue growth (decline), defined in Item 7. For the year ended December 31, 2015 organic revenue growth was $86.7 million, or 7.1%, of which $85.9 million pertained to Partner Firms which the Company has held throughout each of the comparable periods presented, while the remaining $0.8 million were contributions from acquisitions. The increase in revenue was also a result of non-GAAP acquisition (disposition), net adjustments of $46.3 million, or 3.8%, which was partially offset by a foreign exchange impact of $30.2 million, or 2.5%.

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The components of the change in revenues in the Advertising and Communications Group for the year ended December 31, 2015 was as follows:

Advertising and Communications Group	2014 Revenue	2015 Non-GAAP Activity: Foreign Exchange	Non-GAAP Acquisitions (Dispositions), net	Organic Revenue Growth (Decline)	2015 Revenue	Change: Foreign Exchange	Non-GAAP Acquisitions (Dispositions), net	Organic Revenue Growth (Decline)	Total Revenue
	(Dollars in Millions)								
United States	$993.5	$—	$ 28.2	$63.4	$1,085.1	— %	2.8 %	6.4 %	9.2 %
Canada	150.4	(20.6)	1.4	(2.1)	129.0	(13.7)%	0.9 %	(1.4)%	(14.2)%
Other	79.6	(9.6)	16.7	25.4	112.2	(12.1)%	21.0 %	31.9 %	40.8 %
Total	$1,223.5	$(30.2)	$ 46.3	$86.7	$1,326.3	(2.5)%	3.8 %	7.1 %	8.4 %

The below is a reconciliation between the revenue in the Advertising and Communications Group from acquired businesses in the statement of operations to non-GAAP acquisitions (dispositions), net for the year ended December 31, 2015:

	Global Integrated Agencies	Specialist Communications	Media Services	All Other	Total
	(Dollars in Millions)				
Revenue from acquisitions (dispositions), net [1]	$9.7	$ 20.9	$ 0.8	$14.4	$45.8
Foreign exchange impact	1.3	—	—	—	1.3
Deductions from (contributions to) organic revenue growth (decline) [2]	4.6	0.6	(0.3)	(5.7)	(0.8)
Non-GAAP acquisitions (dispositions), net	$15.7	$ 21.5	$ 0.5	$8.7	$46.3

(1) For the year ended December 31, 2015, revenue from acquisitions was comprised of $32.0 million from acquisitions completed in 2014 and $13.8 million from acquisitions completed in 2015.

(2) Deductions from (contributions to) organic revenue growth (decline) represents the change in revenue, measured on a constant currency basis, relative to the comparable pre-acquisition period for acquired businesses that is included in the Company's organic revenue growth (decline) calculation.

The geographic mix in revenues in the Advertising and Communications Group for the years ended December 31, 2015 and 2014 was as follows:

Advertising and Communications Group	2015	2014
United States	81.8%	81.2%
Canada	9.7 %	12.3%
Other	8.5 %	6.5 %

Overall, organic revenue growth in the Advertising and Communications Group was driven by the Company's business outside of North America, with organic revenue growth of 31.9%, primarily attributable to new client wins and increased spend from existing clients as we extended the Company's capabilities into new markets throughout Europe, Asia, and to a lesser degree, South America. Additional revenue growth came from multiple acquisitions of firms that helped us expand the Company's capabilities in the advertising, public relations, and mobile development areas.

The adverse currency impact was primarily due to the weakening of the Canadian dollar, the British Pound, and the Euro against the U.S. dollar.

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The change in expenses as a percentage of revenue in the Advertising and Communications Group for the years ended December 31, 2015 and 2014 was as follows:

	2015		2014		Change	
Advertising and Communications Group	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Revenue	$1,326.3		$1,223.5		$102.7	8.4 %
Operating expenses						
Cost of services sold	879.7	66.3 %	798.5	65.3 %	81.2	10.2 %
Office and general expenses	258.8	19.5 %	223.8	18.3 %	35.0	15.7 %
Depreciation and amortization	50.4	3.8 %	45.4	3.7 %	5.1	11.2 %
	1,189.0	89.6 %	1,067.7	87.3 %	121.3	11.4 %
Operating profit	$137.3	10.4 %	$155.8	12.7 %	$(18.5)	(11.9)%

The change in the categories of expenses as a percentage of revenue in the Advertising and Communications Group for the years ended December 31, 2015 and 2014 was as follows:

	2015		2014		Change	
Advertising and Communications Group	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Millions)					
Direct costs (1)	$195.3	14.7 %	$192.7	15.8 %	$2.5	1.3 %
Staff costs (2)	732.4	55.2 %	652.8	53.4 %	79.6	12.2 %
Administrative costs	159.4	12.0 %	148.3	12.1 %	11.1	7.5 %
Deferred acquisition consideration	36.3	2.7 %	16.5	1.3 %	19.9	120.7%
Stock-based compensation	15.1	1.1 %	12.0	1.0 %	3.0	25.1 %
Depreciation and amortization	50.4	3.8 %	45.4	3.7 %	5.1	11.2 %
Total operating expenses	$1,189.0	89.6 %	$1,067.7	87.3 %	$121.3	11.4 %

(1) Exclude staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Operating profit in the Advertising and Communications Group in 2015 was $137.3 million compared to $155.8 million in 2014, with operating margins declining by 240 basis points from 12.7% to 10.4%. The decrease in operating profit and margin was largely due to increases in staff costs as a percentage of revenue and increases in deferred acquisition consideration expense, partially offset by a decrease in direct costs as a percentage of revenue.

Direct costs in the Advertising and Communications Group increased by $2.5 million, or 1.3% and as a percentage of revenue declined from 15.8% in 2014 to 14.7% in 2015 as pass-through costs incurred on the clients' behalf decreased, most notably in the promotions and experiential businesses in conjunction with their revenue decline.

Staff costs in the Advertising and Communications Group increased by $79.6 million, or 12.2% and as a percentage of revenue increased from 53.4% in 2014 to 55.2% in 2015. The increase was primarily attributable to headcount expansion in areas directly servicing clients as well as in administrative rolls in order to support Partner Firm growth. In addition, severance costs increased approximately $6.0 million from 2014 to 2015.

Deferred acquisition consideration expense in the Advertising and Communications Group increased $19.9 million, or 120.7% from $16.5 million in 2014 to $36.3 million in 2015. The aggregate out performance of certain Partner Firms relative to forecast expectations was at a higher magnitude in 2015 as compared to the 2014.

Stock-based compensation in the Advertising and Communications Group increased by $3.0 million but was consistent at approximately 1.0% of revenue.

Depreciation and amortization expense in the Advertising and Communications Group increased by $5.1 million primarily due to the impact of acquisitions.

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Global Integrated Agencies

Revenue in the Global Integrated Agencies reportable segment was $653.0 million for the year ended December 31, 2015, representing an increase of $52.8 million, or 8.8%, compared to revenue of $600.2 million for the year ended December 31, 2014. The increase related to revenue growth from existing Partner Firms, excluding the effect of acquisitions, of $51.2 million, or 8.5%, as well as revenue from acquisitions of $15.7 million, or 2.6%. These increases were partially offset by an adverse foreign exchange impact of $14.1 million, or 2.3%.

The change in expenses as a percentage of revenue in the Global Integrated Agencies reportable segment for the years ended December 31, 2015 and 2014 was as follows:

	2015		2014		Change	
Global Integrated Agencies	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Thousands)					
Revenue	$653.0		$600.2		$52.8	8.8 %
Operating expenses						
Cost of services sold	431.3	66.0 %	393.7	65.6 %	37.5	9.5 %
Office and general expenses	135.0	20.7 %	121.7	20.3 %	13.2	10.9 %
Depreciation and amortization	20.6	3.2 %	17.4	2.9 %	3.2	18.3 %
	$586.8	89.9 %	$532.9	88.8 %	$54.0	10.1 %
Operating profit	$66.2	10.1 %	$67.3	11.2 %	$(1.1)	(1.7)%

Operating profit in the Global Integrated Agencies reportable segment in 2015 was $66.2 million, compared to $67.3 million in 2014. Operating margins declined 110 basis points from 11.2% in 2014 to 10.1% in 2015. The decrease in operating profit and margin was largely due to increases in direct costs as a percentage of revenue as well as increases in staff costs and deferred acquisition consideration expense.

The change in the categories of expenses as a percentage of revenue in the Global Integrated Agencies reportable segment for the years ended December 31, 2015 and 2014 was as follows:

	2015		2014		Change	
Global Integrated Agencies	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Thousands)					
Direct costs (1)	$51.0	7.8 %	$42.0	7.0 %	$9.0	21.3 %
Staff costs (2)	406.9	62.3 %	372.9	62.1 %	34.0	9.1 %
Administrative costs	84.3	12.9 %	81.8	13.6 %	2.5	3.0 %
Deferred acquisition consideration	17.1	2.6 %	13.6	2.3 %	3.4	25.1 %
Stock-based compensation	7.0	1.1 %	5.0	0.8 %	1.9	38.4 %
Depreciation and amortization	20.6	3.2 %	17.4	2.9 %	3.2	18.3 %
Total operating expenses	$586.8	89.9 %	$532.9	88.8 %	$54.0	10.1 %

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Direct costs in the Global Integrated Agencies reportable segment increased by $9.0 million, or 21.3%, and as a percentage of revenue increased from 7.0% in 2014 to 7.8% in 2015, primarily due to the full year contribution of an acquisition with a high component of direct costs completed in the second half of 2014.

Staff costs in the Global Integrated Agencies reportable segment increased by $34.0 million, or 9.1%, but was consistent at approximately 62% of revenue. The increase was due to increased headcount at certain Partner Firms to support the growth of their businesses, as well as the full year contribution of an acquisition completed in the second half of 2014.

Deferred acquisition consideration in the Global Integrated Agencies reportable segment was an expense of $17.1 million in 2015, compared to an expense of $13.6 million in 2014. The increase was due to larger out-performance relative to forecast expectations of certain Partner Firms in 2015 as compared to 2014.

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Domestic Creative Agencies

Revenue in the Domestic Creative Agencies reportable segment was $91.7 million for the year ended December 31, 2015, representing an increase of $8.5 million, or 10.2%, compared to revenue of $83.2 million for the year ended December 31, 2014. The increase related to revenue growth from existing Partner Firm of $9.5 million, or 11.4%, partially offset by an adverse foreign exchange impact of $1.1 million, or 1.2%.

The change in expenses as a percentage of revenue in the Domestic Creative Agencies reportable segment for the years ended December 31, 2015 and 2014 was as follows:

	2015		2014		Change	
Domestic Creative Agencies	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Thousands)					
Revenue	$91.7		$83.2		$8.5	10.2%
Operating expenses						
Cost of services sold	53.0	57.9 %	48.2	57.9 %	4.9	10.1%
Office and general expenses	19.2	21.0 %	19.0	22.8 %	0.3	1.5 %
Depreciation and amortization	1.9	2.0 %	1.8	2.2 %	—	2.5 %
	$74.1	80.9 %	$68.9	82.9 %	$5.2	7.5 %
Operating profit	$17.5	19.1 %	$14.3	17.1 %	$3.3	22.9%

Operating profit in the Domestic Creative Agencies reportable segment in 2015 was $17.5 million, compared to $14.3 million in 2014. Operating margins improved 200 basis points from 17.1% in 2014 to 19.1% in 2015. The increase in operating profit and margin was largely due to the decrease in deferred acquisition consideration.

The change in the categories of expenses as a percentage of revenue in the Domestic Creative Agencies reportable segment for the years ended December 31, 2015 and 2014 was as follows:

	2015		2014		Change	
Domestic Creative Agencies	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Thousands)					
Direct costs [(1)]	$2.5	2.7 %	$2.2	2.7 %	$0.3	11.3 %
Staff costs [(2)]	58.4	63.7 %	52.4	63.0 %	6.0	11.4 %
Administrative costs	11.3	12.3 %	10.6	12.8 %	0.7	6.6 %
Deferred acquisition consideration	(0.6)	(0.6)%	1.4	1.7 %	(2.0)	(139.4)%
Stock-based compensation	0.6	0.7 %	0.4	0.5 %	0.2	63.2 %
Depreciation and amortization	1.9	2.0 %	1.8	2.2 %	—	2.5 %
Total operating expenses	$74.1	80.9 %	$68.9	82.9 %	$5.2	7.5 %

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Deferred acquisition consideration in the Domestic Creative Agencies reportable segment was income of $0.6 million in 2015, compared to expense of $1.4 million in 2014. The change in deferred acquisition consideration was due to larger aggregate under-performance relative to forecast expectations of certain Partner Firms in 2015 as compared to 2014.

Specialist Communications

Revenue in the Specialist Communications reportable segment was $153.9 million for the year ended December 31, 2015, representing an increase of $29.0 million, or 23.2%, compared to revenue of $124.9 million for the year ended December 31, 2014. This increase related to revenue growth from existing Partner Firms, excluding the effect of acquisitions, of $9.6 million, or 7.7%, as well as revenue from acquisitions of $21.5 million, or 17.2%. These

increases were partially offset by an adverse foreign exchange impact of $2.1 million, or 1.7%.

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The change in expenses as a percentage of revenue in the Specialist Communications reportable segment for the years ended December 31, 2015 and 2014 was as follows:

	2015		2014		Change	
Specialist Communications	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Thousands)					
Revenue	$153.9		$124.9		$29.0	23.2 %
Operating expenses						
Cost of services sold	101.4	65.9 %	75.8	60.7 %	25.6	33.8 %
Office and general expenses	23.2	15.1 %	24.6	19.7 %	(1.3)	(5.5)%
Depreciation and amortization	11.2	7.3 %	8.3	6.6 %	2.9	35.4 %
	$135.9	88.3 %	$108.7	87.0 %	$27.2	25.0 %
Operating profit	$18.0	11.7 %	$16.2	13.0 %	$1.8	11.1 %

Operating profit in the Specialist Communications reportable segment in 2015 was $18.0 million compared to $16.2 million in 2014. Operating margins declined 130 basis points from 13.0% in 2014 to 11.7% in 2015. The increase in operating profit was largely due to income from deferred acquisition consideration in 2015 as compared to expense in 2014. The decrease in operating margin was largely due to higher direct costs and staff costs in 2015 as compared to 2014.

The change in the categories of expenses as a percentage of revenue in the Specialist Communications reportable segment for the years ended December 31, 2015 and 2014 was as follows:

	2015		2014		Change	
Specialist Communications	$	% of Revenue	$	% of Revenue	$	%
	(Dollars in Thousands)					
Direct costs (1)	$34.0	22.1 %	$22.8	18.3 %	$11.1	48.7 %
Staff costs (2)	72.2	46.9 %	55.2	44.2 %	17.0	30.9 %
Administrative costs	19.6	12.7 %	15.8	12.7 %	3.8	23.7 %
Deferred acquisition consideration	(2.6)	(1.7)%	4.5	3.6 %	(7.1)	(157.1)%
Stock-based compensation	1.5	1.0 %	2.1	1.6 %	(0.5)	(26.3)%
Depreciation and amortization	11.2	7.3 %	8.3	6.6 %	2.9	35.4 %
Total operating expenses	$135.9	88.3 %	$108.7	87.0 %	$27.2	25.0 %

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Direct costs in the Specialist Communications reportable segment increased $11.1 million, or 48.7%, and as a percentage of revenue increased from 18.3% in 2014 to 22.1% in 2015, primarily due to the full year contribution of an acquisition completed in the second half of 2014.

Staff costs in the Specialist Communications reportable segment increased by $17.0 million, or 30.9%, and as a percentage of revenue increased from 44.2% in 2014 to 46.9% in 2015. The increase in staff costs was due to additional headcount at certain Partner Firms to support the growth of their businesses as well as the full year contribution of an acquisition completed in the second half of 2014. The increase in staff costs as a percentage of revenue was due to an increase in staffing levels in advance of revenue at certain Partner Firms as well as slower staffing decreases at other Partner Firms.

Deferred acquisition consideration in the Specialist Communications reportable segment was income of $2.6 million in 2015, compared to an expense of $4.5 million in 2014. The change in deferred acquisition consideration was due to the aggregate under-performance relative to forecast expectations of certain Partner Firms in 2015 as compared to

2014.

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Media Services

Revenue in the Media Services reportable segment was $132.4 million for the year ended December 31, 2015, representing an increase of $11.6 million, or 9.6%, compared to revenue of $120.9 million for the year ended December 31, 2014. This increase related to revenue growth from existing Partner Firms, excluding the effect of acquisitions, of $11.1 million, or 9.2%, as well as revenue from acquisitions of $0.5 million, or 0.4%.

The change in expenses as a percentage of revenue in the Media Services reportable segment for the years ended December 31, 2015 and 2014 was as follows:

Media Services	2015 $	2015 % of Revenue	2014 $	2014 % of Revenue	Change $	Change %
	(Dollars in Thousands)					
Revenue	$132.4		$120.9		$11.6	9.6 %
Operating expenses						
Cost of services sold	92.4	69.8 %	71.7	59.4 %	20.7	28.8 %
Office and general expenses	15.2	11.5 %	13.3	11.0 %	1.9	14.5 %
Depreciation and amortization	4.7	3.5 %	6.1	5.1 %	(1.5)	(23.8)%
	$112.3	84.8 %	$91.1	75.4 %	$21.2	23.2 %
Operating profit	$20.1	15.2 %	$29.7	24.6 %	$(9.6)	(32.3)%

Operating profit in the Media Services reportable segment in 2015 was $20.1 million, compared to $29.7 million in 2014. Operating margins declined 940 basis points from 24.6% in 2014 to 15.2% in 2015. The decrease in operating profit and margin was largely due to an increase in staff costs and a decrease in income from deferred acquisition consideration.

The change in the categories of expenses as a percentage of revenue in the Media Services reportable segment for the years ended December 31, 2015 and 2014 was as follows:

Media Services	2015 $	2015 % of Revenue	2014 $	2014 % of Revenue	Change $	Change %
	(Dollars in Thousands)					
Direct costs [(1)]	$36.2	27.3 %	$34.4	28.4 %	$1.8	5.2 %
Staff costs [(2)]	57.5	43.5 %	44.8	37.1 %	12.7	28.4 %
Administrative costs	17.2	13.0 %	14.1	11.7 %	3.0	21.4 %
Deferred acquisition consideration	(3.7)	(2.8)%	(9.2)	(7.6)%	5.5	(59.7)%
Stock-based compensation	0.5	0.4 %	0.9	0.8 %	(0.4)	(48.7)%
Depreciation and amortization	4.7	3.5 %	6.1	5.1 %	(1.5)	(23.8)%
Total operating expenses	$112.3	84.8 %	$91.1	75.4 %	$21.2	23.2 %

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Staff costs in the Media Services reportable segment increased by $12.7 million, or 28.4% and as a percentage of revenue increased from 37.1% in 2014 to 43.5% in 2015. The increase in staff costs was due to additional headcount at certain Partner Firms to support the growth of their business as well as the contribution from an acquisition completed in the second half of 2015. The increase in staff costs as a percentage of revenue was due to an increase in staffing levels at certain Partner Firms in advance of revenue.

Deferred acquisition consideration in the Media Services reportable segment was income of $3.7 million in 2015, compared to income of $9.2 million in 2014. The change in deferred acquisition consideration was due to lower aggregate under-performance relative to forecast expectations of certain Partner Firms in 2015 as compared to 2014.

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All Other

Revenue in the All Other category was $295.3 million for the year ended December 31, 2015, representing an increase of $0.9 million, or 0.3%, compared to revenue of $294.4 million for the year ended December 31, 2014. The increase related to revenue growth from existing Partner Firms, excluding the effect of acquisitions, of $5.2 million, or 1.8%, as well as revenue from acquisitions of $8.7 million, or 2.9%. These increases were partially offset by an adverse foreign exchange impact of $13.0 million, or 4.4%.

The change in expenses as a percentage of revenue in the All Other category for the years ended December 31, 2015 and 2014 was as follows:

All Other	2015 $	2015 % of Revenue	2014 $	2014 % of Revenue	Change $	Change %
	(Dollars in Thousands)					
Revenue	$295.3		$294.4		$0.9	0.3 %
Operating expenses						
Cost of services sold	201.6	68.3 %	209.1	71.0 %	(7.5)	(3.6)%
Office and general expenses	66.1	22.4 %	45.2	15.4 %	20.9	46.3 %
Depreciation and amortization	12.1	4.1 %	11.8	4.0 %	0.4	3.0 %
	$279.8	94.8 %	$266.1	90.4 %	$13.8	5.2 %
Operating profit	$15.4	5.2 %	$28.3	9.6 %	$(12.9)	(45.5)%

Operating profit in the All Other category in 2015 was $15.4 million, compared to $28.3 million in 2014. Operating margins declined by 440 basis points from 9.6% in 2014 to 5.2% in 2015. The decrease in operating profit and margin was due to increases in deferred acquisition consideration expense and staff costs, partially offset by a decrease in direct costs.

The change in the categories of expenses as a percentage of revenue in the All Other category for the years ended December 31, 2015 and 2014 was as follows:

All Other	2015 $	2015 % of Revenue	2014 $	2014 % of Revenue	Change $	Change %
	(Dollars in Thousands)					
Direct costs [1]	$71.6	24.3 %	$91.2	31.0 %	$(19.6)	(21.5)%
Staff costs [2]	137.4	46.5 %	127.4	43.3 %	9.9	7.8 %
Administrative costs	27.1	9.2 %	25.9	8.8 %	1.2	4.5 %
Deferred acquisition consideration	26.1	8.9 %	6.0	2.0 %	20.1	333.3 %
Stock-based compensation	5.5	1.8 %	3.6	1.2 %	1.8	50.2 %
Depreciation and amortization	12.1	4.1 %	11.8	4.0 %	0.4	3.0 %
Total operating expenses	$279.8	94.8 %	$266.1	90.4 %	$13.8	5.2 %

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Direct costs in the All Other category decreased by $19.6 million, or 21.5%, and as a percentage of revenue decreased from 31.0% in 2014 to 24.3% in 2015, as pass-through costs incurred on the clients' behalf decreased, most notably in the promotions and experiential businesses in conjunction with the revenue decline of such businesses.

Staff costs in the All Other category increased by $9.9 million, or 7.8% and as a percentage of revenue increased from 43.3% in 2014 to 46.5% in 2015. The increase in staff costs was primarily due to additional contributions from an acquisition completed in 2015 as well as additional headcount at certain Partner Firms to support the growth of their businesses. The increase in staff costs as a percentage of revenue was due to increases in staffing levels in advance of

revenue at certain Partner Firms as well as slower staffing decreases at other Partner Firms.

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Deferred acquisition consideration in the All Other category was an expense of $26.1 million in 2015, compared to an expense of $6.0 million in 2014. The increase in deferred acquisition consideration expense was due to larger out-performance of certain Partner Firms in 2015 relative to forecast expectations as compared to 2014.

Corporate

The change in operating expenses for Corporate for the years ended December 31, 2015 and 2014 was as follows:

Corporate Group	2015	2014	Variance $	Variance %
	(Dollars in Millions)			
Staff costs [1]	$42.4	$37.9	$4.5	11.9 %
Administrative costs	18.2	22.7	(4.5)	(19.7)%
Stock-based compensation	2.7	5.7	(2.9)	(51.6)%
Depreciation and amortization	1.8	1.8	—	(0.6)%
Total operating expenses	$65.2	$68.1	$(2.9)	(4.3)%

(1) Excludes stock-based compensation.

Total operating expenses for Corporate decreased by $2.9 million to $65.2 million in 2015, compared to $68.1 million in 2014.

Staff costs for Corporate increased by $4.5 million, or 11.9%. The increase was due to a one-time charge of $5.8 million in 2015 for the balance of the prior year cash bonus awards that were previously paid to the Company's former CEO and former CAO but will not be recovered pursuant to the repayment terms of the applicable Separation Agreements. This one-time charge was offset by a general reduction of staff costs of $1.3 million.

Administrative costs decreased by $4.5 million, or 19.7%. The decrease was due to the following cost reductions: (i) travel and entertainment expenses of $2.8 million, (ii) advertising and promotional expenses of $2.5 million, (iii) legal expenses of $1.1 million (excluding legal fees related to the ongoing SEC inquiry), and (iv) various other administrative expenses of $0.6 million. The foregoing reductions in administrative costs were impacted by other one-time items, including the following: (a) a reduction in administrative costs of $11.3 million as a result of repayments the Company received from the Company's former CEO; (b) incurrence of $12.7 million of legal fees related to the ongoing SEC inquiry (net of $1.0 million insurance proceeds); and (c) the write off of certain assets related to the termination of the former CEO and former CAO of $1.1 million.

Other Income, Net

Other income, net, increased by $6.5 million from income of $0.7 million in 2014 to income of $7.2 million in 2015. The increase related to the 2015 gain on sale of certain equity and cost method investments.

Foreign Exchange

The foreign exchange loss was $39.3 million for 2015, compared to a loss of $18.5 million in 2014. This unrealized loss was due primarily to the fluctuation in the U.S. dollar during 2015 and 2014 compared to the Canadian dollar relating to the Company's U.S. dollar denominated intercompany balances with its Canadian subsidiaries.

Interest Expense and Finance Charges, Net

Interest expense and finance charges, net for 2015 were $57.4 million, an increase of $2.6 million over the $54.8 million of interest expense and finance charges, net incurred during 2014. The increase in interest expense in 2015 was due to the issuance of the additional $75 million in principal amount of the 6.75% Notes in April 2014 and borrowings on the revolver.

Income Tax Expense

Income tax expense in 2015 was $3.8 million compared to $9.8 million for 2014. The Company's effective rate was substantially higher than the statutory rate in 2015, primarily due to non-deductible stock-based compensation, an increase in the valuation allowance, and the effect of the difference in the U.S. and foreign federal rates compared to the Canadian statutory rate, offset in part by noncontrolling interest charges. The Company's effective tax rate was substantially higher than the statutory rate in 2014 due to non-deductible stock-based compensation, an increase in the

Company's valuation allowance, and the effect of the differences in the U.S. and foreign federal rates compared to the Canadian statutory rate, offset in part by noncontrolling interest charges.

The Company's U.S. operating units are generally structured as limited liability companies, which are treated as partnerships for tax purposes. The Company is only taxed on its share of profits, while noncontrolling holders are responsible for taxes on their share of the profits.

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Equity in Earnings of Non-Consolidated Affiliates

Equity in non-consolidated affiliates represents the income attributable to equity-accounted affiliate operations. In 2015, the Company recorded earnings of $1.1 million compared to earnings of $1.4 million in 2014.

Noncontrolling Interests

The effects of noncontrolling interest was $9.1 million in 2015, an increase of $2.2 million from the $6.9 million during 2014. This increase related to the overall increase in profits in Partner Firms where there are noncontrolling shareholders.

Discontinued Operations

The loss net of taxes from discontinued operations for 2015 was $6.3 million, compared to a loss of $21.3 million in 2014. The decrease in the loss from discontinued operations was due to a goodwill write off of $15.6 million in 2014 that was included in the loss from discontinued operations as a result of the Company's decision to strategically sell the net assets of Accent.

Net Loss Attributable to MDC Partners Inc.

As a result of the foregoing, the net loss attributable to MDC Partners Inc. for 2015 was $35.5 million or a loss of $0.71 per diluted share, compared to a net loss of $21.4 million or $0.43 per diluted share reported for 2014.

Liquidity and Capital Resources

The following table provides information about the Company’s liquidity position:

Liquidity	2016	2015	2014
	(In Thousands, Except for Long-Term Debt to Shareholders’ Equity Ratio)		
Cash and cash equivalents	$27,921	$61,458	$113,348
Working capital (deficit)	$(313,239)	$(417,997)	$(275,987)
Cash provided by (used in) operating activities	$(1,212)	$161,395	$165,358
Cash used in investing activities	$(25,196)	$(29,893)	$(99,686)
Cash used in financing activities	$(9,257)	$(188,610)	$(53,263)
Ratio of long-term debt to shareholders’ deficit	(1.84)	(1.47)	(2.09)

As of December 31, 2016, 2015 and 2014, $5.3 million, $5.2 million, and $6.5 million, respectively, of the Company’s consolidated cash position was held by subsidiaries. Although this amount is available for the subsidiaries’ use, it does not represent cash that is distributable as earnings to MDC for use to reduce its indebtedness. It is the Company’s intent through its cash management system to reduce outstanding borrowings under the Credit Agreement by using available cash.

Working Capital

At December 31, 2016, the Company had a working capital deficit of $313.2 million compared to a deficit of $418.0 million at December 31, 2015. Working capital deficit decreased by $104.8 million primarily due to the net proceeds from the issuance of the 6.50% Notes, offset by the redemption of the 6.75% Notes, payments of deferred acquisition consideration and from a mix shift in the media business. The Company’s working capital is impacted by seasonality in media buying, amounts spent by clients, and timing of amounts received from clients and subsequently paid to suppliers. Media buying is impacted by the timing of certain events, such as major sporting competitions and national holidays, and there can be a quarter to quarter lag between the time amounts received from clients for the media buying are subsequently paid to suppliers. At December 31, 2016, the Company had $54.4 million of borrowings outstanding under its Credit Agreement. The Company includes amounts due to noncontrolling interest holders, for their share of profits, in accruals and other liabilities. During 2016, 2015 and 2014, the Company made distributions to these noncontrolling interest holders of $7.8 million, $9.5 million and $6.5 million, respectively. At December 31, 2016, $4.2 million remains outstanding to be distributed to noncontrolling interest holders over the next twelve

months.

The Company intends to maintain sufficient cash or availability of funds under the Credit Agreement at any particular time to adequately fund working capital should there be a need to do so from time to time.

Operating Activities

Cash flows used in continuing operations for 2016 were $1.2 million. This was attributable primarily to a loss from continuing operations of $40.6 million, decrease in accounts payable, accruals and other current liabilities of $110.0 million primarily driven by the timing of payments to suppliers, an increase in accounts receivable of $16.8 million, an increase in prepaid expenses and other current assets of $13.6 million, foreign exchange of $8.2 million, deferred income taxes of $10.0 million, and a gain on the sale of assets of $0.4 million. This was partially offset by depreciation and amortization of $55.6 million, goodwill impairment

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of $48.5 million, a loss on the redemption of the 6.75% Notes of $26.9 million, stock-based compensation of $21.0 million, a net decrease in other and non-current assets and liabilities of $13.5 million, a decrease in expenditures billable to clients of $13.0 million, an increase in advanced billings of $11.4 million, adjustments to deferred acquisition consideration of $8.2 million, and losses of non-consolidated affiliates of $0.3 million.

Cash flows provided by continuing operations for 2015 were $162.7 million. This was attributable primarily to an increase in accounts payable, accruals and other current liabilities of $75.1 million, depreciation and amortization of $54.5 million, adjustments to deferred acquisition consideration of $38.9 million, foreign exchange of $30.2 million, stock-based compensation of $17.8 million, a decrease in other and non-current assets and liabilities of $4.7 million, deferred income taxes of $0.1 million, and an decrease in prepaid expenses and other current assets of $1.6 million. This was partially offset by an decrease in advanced billings of $23.5 million, a loss from continuing operations of $20.1 million, a gain on sale of investments of $6.5 million, an increase in accounts receivable of $4.8 million, an increase in expenditures billable to clients of $3.9 million, and earnings of non-consolidated affiliates of $1.1 million. Discontinued operations used cash of $1.3 million.

Cash flows provided by continuing operations for 2014 were $167.2 million. This was attributable primarily to an increase in accounts payable, accruals and other current liabilities of $89.0 million, depreciation and amortization of $49.4 million, a decrease in expenditures billable to clients of $23.4 million, adjustments to deferred acquisition consideration of $18.7 million, stock-based compensation of $17.7 million, foreign exchange of $14.8 million, deferred income taxes of $8.3 million, and income from continuing operations of $6.7 million. This was partially offset by an increase in accounts receivable of $35.8 million, a decrease in advanced billings of $13.8 million, an increase in other and non-current assets and liabilities of $7.8 million, an increase in prepaid expenses and other current assets of $1.9 million, and earnings of non-consolidated affiliates of $1.4 million. Discontinued operations used cash of $1.8 million.

Investing Activities

Cash flows used in investing activities were $25.2 million for 2016, compared with $29.9 million for 2015, and $99.7 million in 2014.

In the year ended December 31, 2016, capital expenditures totaled $29.4 million, primarily driven by $16.4 million incurred by the Global Integrated Agencies reportable segment. These expenditures consisted primarily of computer equipment, furniture and fixtures, and leasehold improvements. Additionally, the Company paid $3.8 million for other investments and $2.5 million for deposits on capital expenditures not yet placed into service. These outflows were partially offset by $7.4 million of profit distributions from non-consolidated affiliates, $2.5 million of net cash acquired from acquisitions and $0.7 million of proceeds from the sale of assets.

In the year ended December 31, 2015, capital expenditures totaled $23.6 million, primarily driven by $17.0 million incurred by the Global Integrated Agencies reportable segment. These expenditures consisted primarily of computer equipment, furniture and fixtures, and leasehold improvements. Additionally, the Company paid $24.8 million, net of cash acquired, for acquisitions and $7.3 million for other investments. These outflows were partially offset by $8.6 million of proceeds from the sale of assets. The Company also received $17.1 million of cash proceeds in 2015 from the sale of Accent.

In the year ended December 31, 2014, capital expenditures totaled $26.4 million, primarily driven by $19.7 million incurred by the Global Integrated Agencies reportable segment. These expenditures consisted primarily of computer equipment, furniture and fixtures, and leasehold improvements. Additionally, the Company paid $68.3 million, net of cash acquired for acquisitions and $6.3 million for other investments. These outflows were partially offset by $3.4 million of profit distributions from non-consolidated affiliates and $0.1 million of proceeds from the sale of assets and investments. Discontinued operations used cash of $2.1 million in 2014 related to capital expenditures.

Financing Activities

During the year ended December 31, 2016, cash flows used in financing activities were $9.3 million, and consisted of the redemption of the 6.75% Notes of $735.0 million, a premium paid in connection with such redemption of $26.9

million including accrued interest through the settlement date, $135.7 million of acquisition related payments, payment of dividends of $32.9 million, $21.6 million of debt issuance costs paid in connection with the issuance of the 6.50% Notes, distributions to noncontrolling partners of $7.8 million, the purchase of treasury shares for income tax withholding requirements of $3.4 million, and repayments of long-term debt of $0.5 million. These amounts were partially offset by $900.0 million in proceeds from the issuance of the 6.50% Notes and $54.4 million in net borrowings under the Credit Agreement.
During the year ended December 31, 2015, cash flows used in financing activities were $188.6 million, and consisted of $134.1 million of acquisition related payments, payment of dividends of $42.3 million, distributions to noncontrolling partners of $9.5 million, the purchase of treasury shares for income tax withholding requirements of $2.4 million and repayments of long-term debt of $0.5 million. These amounts were partially offset by proceeds from other financing activities of $0.2 million.

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During the year ended December 31, 2014, cash flows used in financing activities were $53.3 million, and consisted of $78.3 million of acquisition related payments, payment of dividends of $37.7 million, distributions to noncontrolling partners of $6.5 million, the purchase of treasury shares for income tax withholding requirements of $5.4 million, deferred financing costs of $3.7 million, and repayments of long-term debt of $0.7 million. These amounts were partially offset by proceeds from the issuance of additional 6.75% Notes of $78.9 million and proceeds from other financing activities of $0.1 million.

Total Debt

6.50% Senior Notes Due 2024

On March 23, 2016, MDC entered into an indenture (the "Indenture") among MDC, its existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure, the Credit Agreement, as guarantors (the "Guarantors") and The Bank of New York Mellon, as trustee, relating to the issuance by MDC of its $900 million aggregate principal amount of 6.50% senior unsecured notes due 2024. The 6.50% Notes were sold in a private placement in reliance on exceptions from registration under the '33 Act. The 6.50% Notes bear interest at a rate of 6.50% per annum, accruing from March 23, 2016. Interest is payable semiannually in arrears on May 1 and November 1 of each year, beginning November 1, 2016. The 6.50% Notes mature on May 1, 2024, unless earlier redeemed or repurchased. The Company received net proceeds from the offering of the 6.50% Notes equal to approximately $880,000. The Company used the net proceeds to redeem all of its existing 6.75% Notes, together with accrued interest, related premiums, fees and expenses and recorded a charge for the loss on redemption of such notes of $33,298, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes, including funding of deferred acquisition consideration.

The 6.50% Notes are guaranteed on a senior unsecured basis by all of MDC's existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure, the Credit Agreement. The 6.50% Notes are unsecured and unsubordinated obligations of MDC and rank (i) equally in right of payment with all of MDC's or any Guarantor's existing and future senior indebtedness, (ii) senior in right of payment to MDC's or any Guarantor's existing and future subordinated indebtedness, (iii) effectively subordinated to all of MDC's or any Guarantor's existing and future secured indebtedness to the extent of the collateral securing such indebtedness, including the Credit Agreement, and (iv) structurally subordinated to all existing and future liabilities of MDC's subsidiaries that are not Guarantors.

MDC may, at its option, redeem the 6.50% Notes in whole at any time or in part from time to time, on and after May 1, 2019 (i) at a redemption price of 104.875% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2019, (ii) at a redemption price of 103.250% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2020, (iii) at a redemption price of 101.625% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2021, and (iv) at a redemption price of 100% of the principal amount thereof if redeemed on May 1, 2022 and thereafter.

Prior to May 1, 2019, MDC may, at its option, redeem some or all of the 6.50% Notes at a price equal to 100% of the principal amount of the 6.50% Notes plus a "make whole" premium and accrued and unpaid interest. MDC may also redeem, at its option, prior to May 1, 2019, up to 35% of the 6.50% Notes with the proceeds from one or more equity offerings at a redemption price of 106.50% of the principal amount thereof.

If MDC experiences certain kinds of changes of control (as defined in the Indenture), holders of the 6.50% Notes may require MDC to repurchase any 6.50% Notes held by them at a price equal to 101% of the principal amount of the 6.50% Notes plus accrued and unpaid interest. In addition, if MDC sells assets under certain circumstances, it must apply the proceeds from such sale and offer to repurchase the 6.50% Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest.

The Indenture includes covenants that, among other things, restrict MDC's ability and the ability of its restricted subsidiaries (as defined in the Indenture) to incur or guarantee additional indebtedness; pay dividends on or redeem or repurchase the capital stock of MDC; make certain types of investments; create restrictions on the payment of dividends or other amounts from MDC's restricted subsidiaries; sell assets; enter into transactions with affiliates; create

liens; enter into sale and leaseback transactions; and consolidate or merge with or into, or sell substantially all of MDC's assets to, another person. These covenants are subject to a number of important limitations and exceptions. The 6.50% Notes are also subject to customary events of default, including a cross-payment default and cross-acceleration provision.

Redemption of 6.75% Senior Notes Due 2020

On March 23, 2016, the Company redeemed the 6.75% Notes in whole at a redemption price of 103.375% of the principal amount thereof with the proceeds from the issuance of the 6.50% Notes.

Revolving Credit Agreement

On March 20, 2013, MDC, Maxxcom Inc. (a subsidiary of MDC) and each of their subsidiaries party thereto entered into an amended and restated $225 million senior secured revolving credit agreement due 2018 (the "Credit Agreement") with Wells Fargo Capital Finance, LLC, as agent, and the lenders from time to time party thereto. Advances under the Credit Agreement will be

used for working capital and general corporate purposes, in each case pursuant to the terms of the Credit Agreement. Capitalized terms used in this section and not otherwise defined have the meanings set forth in the Credit Agreement.
Effective October 23, 2014, MDC, Maxxcom Inc. and each of their subsidiaries entered into an amendment of its Credit Agreement. The amendment: (i) expanded the commitments under the facility by $100 million, from $225 million to $325 million; (ii) extended the date by an additional eighteen months to September 30, 2019; (iii) reduced the base borrowing interest rate by 25 basis points (the applicable margin for borrowing is 1.00% in the case of Base Rate Loans and 1.75% in the case of LIBOR Rate Loans) ; and (iv) modified certain covenants to provide the Company with increased flexibility to fund its continued growth and other general corporate purposes.
Effective May 3, 2016, MDC and its subsidiaries entered into an additional amendment to its Credit Agreement. The amendment: (i) extends the date by an additional nineteen months to May 3, 2021; (ii) reduces the base borrowing interest rate by 25 basis points; (iii) provides the Company the ability to borrow in foreign currencies; and (iv) certain other modifications to provide additional flexibility in operating the Company's business.
Advances under the Credit Agreement bear interest as follows: (a)(i) Non-Prime Rate Loans bear interest at the Non-Prime Rate and (ii) all other Obligations bear interest at the Prime Rate, plus (b) an applicable margin. The applicable margin for borrowing is 1.50% in the case of Non-Prime Rate Loans and Prime Rate Loans that are European Advances, and 0.75% on all other Obligations. In addition to paying interest on outstanding principal under the Credit Agreement, MDC is required to pay an unused revolver fee of 0.25% to lenders under the Credit Agreement in respect of unused commitments thereunder.
The Credit Agreement is guaranteed by substantially all of MDC's present and future subsidiaries, other than immaterial subsidiaries and subject to customary exceptions. The Credit Agreement includes covenants that, among other things, restrict MDC's ability and the ability of its subsidiaries to incur or guarantee additional indebtedness; pay dividends on or redeem or repurchase the capital stock of MDC; make certain types of investments; impose limitations on dividends or other amounts from MDC's subsidiaries; incur certain liens, sell or otherwise dispose of certain assets; enter into transactions with affiliates; enter into sale and leaseback transactions; and consolidate or merge with or into, or sell substantially all of MDC's assets to, another person. These covenants are subject to a number of important limitations and exceptions. The Credit Agreement also contains financial covenants, including a total leverage ratio, a senior leverage ratio, a fixed charge coverage ratio and a minimum earnings level (each as more fully described in the Credit Agreement). The Credit Agreement is also subject to customary events of default.
The foregoing descriptions of the Indenture and the Credit Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of the agreements.
Debt, net of debt issuance costs, as of December 31, 2016 was $936.4 million, an increase of $213.4 million, compared with $723.0 million outstanding at December 31, 2015. This increase in debt was a result of proceeds received from the 6.50% Notes of $900.0 million and net borrowings under the Credit Agreement of $54.4 million, partially offset by the repayment of the 6.75% Notes of $735.0 million and additional incremental debt issuance costs, net of amortization of $5.8 million. At December 31, 2016, approximately $266.2 million of commitments under the Credit Agreement were undrawn.
The Company is currently in compliance with all of the terms and conditions of the Credit Agreement, and management believes, based on its current financial projections, that the Company will be in compliance with its covenants over the next twelve months.
If the Company loses all or a substantial portion of its lines of credit under the Credit Agreement, or if the Company uses the maximum available amount under the Credit Agreement, it will be required to seek other sources of liquidity. If the Company were unable to find these sources of liquidity, for example through an equity offering or access to the capital markets, the Company's ability to fund its working capital needs and any contingent obligations with respect to acquisitions and redeemable noncontrolling interests would be adversely affected.
Pursuant to the Credit Agreement, the Company must comply with certain financial covenants including, among other things, covenants for (i) senior leverage ratio, (ii) total leverage ratio, (iii) fixed charges ratio, and (iv) minimum

earnings before interest, taxes and depreciation and amortization, in each case as such term is specifically defined in the Credit Agreement.

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For the period ended December 31, 2016, the Company's calculation of each of these covenants, and the specific requirements under the Credit Agreement, respectively, were calculated based on the trailing twelve months as follows:

	December 31, 2016
Total Senior Leverage Ratio	0.28
Maximum per covenant	2.00
Total Leverage Ratio	5.03
Maximum per covenant	5.50
Fixed Charges Ratio	1.95
Minimum per covenant	1.00
Earnings before interest, taxes, depreciation and amortization	$190.4 million
Minimum per covenant	$105.0 million

These ratios are not based on generally accepted accounting principles and are not presented as alternative measures of operating performance or liquidity. Some of these measures include, among other things, pro forma adjustments for acquisitions, one-time charges, and other items, as defined in the Credit Agreement. They are presented here to demonstrate compliance with the covenants in the Credit Agreement, as non-compliance with such covenants could have a material adverse effect on the Company.

Disclosure of Contractual Obligations and Other Commercial Commitments

The following table provides a payment schedule of present and future obligations. Management anticipates that the obligations outstanding at December 31, 2016 will be repaid with new financing, equity offerings and/or cash flow from operations (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Indebtedness [1]	$954,425	$—	$—	$54,425	$900,000
Capital lease obligations	431	228	177	26	—
Operating leases	391,847	57,294	107,303	92,765	134,485
Interest on debt	429,040	58,520	117,018	117,002	136,500
Deferred acquisition consideration [2]	229,564	108,290	80,452	40,822	—
Other long-term liabilities	14,176	5,530	7,721	925	—
Total contractual obligations [3]	$2,019,483	$229,862	$312,671	$305,965	$1,170,985

(1) Indebtedness includes $54,425 of borrowings under the Credit Agreement due in 2021.

(2) Deferred acquisition consideration excludes future payments with an estimated fair value of $36,437 that are contingent upon employment terms as well as financial performance and will be expensed as stock-based compensation over the required retention period. Of this amount, the Company estimates $3,535 will be paid in less than one year, $11,717 will be paid in one to three years, $18,077 will be paid in three to five years, and $3,108 will be paid after five years.

(3) Pension obligations of $16,257 are not included since the timing of payments are not known.

The following table provides a summary of other commercial commitments (in thousands) at December 31, 2016:

	Payments Due by Period				
Other Commercial Commitments	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Lines of credit	$—	$—	$ —	$ —	$ —

Letters of credit	$4,360	4,360	—	—	—
Total Other Commercial Commitments	$4,360	$4,360	$ —	$ —	$ —

For further detail on MDC’s long-term debt principal and interest payments, see Note 11 Debt and Note 16 Commitments, Contingents and Guarantees of the Company’s consolidated financial statements included in this Amendment No. 1 on Form 10-K/A. See also “Deferred Acquisition Consideration” and “Other-Balance Sheet Commitments” below.

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Capital Resources

At December 31, 2016, there were $54.4 million of borrowings under the Credit Agreement and $4.4 million of undrawn outstanding letters of credit. Cash and undrawn commitments available to support the Company's future cash requirements at December 31, 2016 was approximately $294.1 million.

The Company expects to incur approximately $28.0 million of capital expenditures in 2017. Such capital expenditures are expected to include leasehold improvements, furniture and fixtures, and computer equipment at certain of the Company's operating subsidiaries. The Company intends to maintain and expand its business using cash from operating activities, together with funds available under the Credit Agreement. Management believes that the Company's cash flow from operations, funds available under the Credit Agreement and other initiatives will be sufficient to meet its ongoing working capital, capital expenditures and other cash needs over the next twelve months. If the Company spends capital on future acquisitions, management expects that the Company may need to obtain additional financing in the form of debt and/or equity financing.

Other-Balance Sheet Commitments

Media and Production

The Company's agencies enter into contractual commitments with media providers and agreements with production companies on behalf of our clients at levels that exceed the revenue from services. Some of our agencies purchase media for clients and act as an agent for a disclosed principal. These commitments are included in accounts payable when the media services are delivered by the media providers. MDC takes precautions against default on payment for these services and has historically had a very low incidence of default. MDC is still exposed to the risk of significant uncollectible receivables from our clients. The risk of a material loss could significantly increase in periods of severe economic downturn.

Deferred Acquisition Consideration

Acquisitions of a business, or a majority interest of a business, by the Company may include future additional contingent purchase price obligations payable to the seller, which are recorded as deferred acquisition consideration liabilities on the Company's balance sheet at the estimated acquisition date fair value and are remeasured at each reporting period. These contingent purchase obligations are generally payable within a one to five-year period following the acquisition date, and are based on achievement of certain thresholds of future earnings and, in certain cases, the rate of growth of those earnings. The actual amount that the Company pays in connection with such contingent purchase obligations may differ materially from this estimate.

In connection with such contingent purchase obligations, the Company may have the option or, in some cases, the requirement, to purchase the remaining interest. Generally, the Company's option or requirement to purchase the incremental ownership interest coincides with the final payment of the purchase price obligation related to the Company's initial majority acquisition. If the Company subsequently acquires the remaining incremental ownership interest, the acquisition fair value of the purchase price, net of any cash paid at closing, is recorded as a liability, any noncontrolling interests are removed and any difference between the purchase price and noncontrolling interest is recorded to additional paid-in capital.

The deferred acquisition consideration and redeemable noncontrolling interests are impacted by (i) present value adjustments to accrete the acquisition date fair value of the obligation to the estimated future payment amount at the reporting date, (ii) changes in the estimated future payment obligation resulting from the underlying subsidiary's financial performance, and (iii) amendments to purchase agreements of previously acquired incremental ownership interests. As it relates to the acquisition of Forsman & Bodenfors AB completed in 2016, the deferred acquisition is impacted by the market performance of the Company's stock price. Redeemable noncontrolling interests are not adjusted below the related initial redemption value. Significant changes in actual results and metrics, such as profit margins and growth rates among others, relative to expectations would result in a higher or lower redemption value adjustment. In addition, the deferred acquisition consideration and redeemable noncontrolling interests could be materially impacted by future acquisition activity, if any, and the particular structure of such acquisitions.

As a result, and due to the factors noted above, the Company does not have a view of the future trajectory and quantification of potential changes in the deferred acquisition consideration and redeemable noncontrolling interests.

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The following table presents the changes in the deferred acquisition consideration by segment for the years ended December 31, 2016 and 2015:

	December 31, 2016					
	Global Integrated Agencies	Domestic Creative Agencies	Specialist Communications	Media Services	All Other	Total
Beginning Balance of contingent payments	$157,444	$4,240	$42,524	$7,940	$94,586	$306,734
Payments [1]	(36,270)	(3,187)	(20,544)	(1,369)	(43,799)	(105,169)
Additions [2]	15,618	—	514	—	—	16,132
Redemption value adjustments [3]	16,225	(281)	(3,465)	573	878	13,930
Other [4]	(2,360)	—	(4,052)	—	—	(6,412)
Foreign translation adjustment	(1,903)	—	(6)	—	1,448	(461)
Ending Balance of contingent payments	148,754	772	14,971	7,144	53,113	224,754
Fixed payments [5]	2,922	—	551	308	1,029	4,810
	$151,676	$772	$15,522	$7,452	$54,142	$229,564

	December 31, 2015					
	Global Integrated Agencies	Domestic Creative Agencies	Specialist Communications	Media Services	All Other	Total
Beginning Balance of contingent payments	$54,209	$6,223	$45,276	$17,744	$48,775	$172,227
Payments	(30,842)	(1,413)	(17,148)	(13,981)	(13,917)	(77,301)
Additions [2]	115,480	—	17,176	7,183	34,691	174,530
Redemption value adjustments	18,532	(570)	(2,780)	(3,006)	29,460	41,636
Foreign translation adjustment	65	—	—	—	(4,423)	(4,358)
Ending Balance of contingent payments	157,444	4,240	42,524	7,940	94,586	306,734
Fixed payments	23,564	—	5,209	8,914	2,683	40,370
	$181,008	$4,240	$47,733	$16,854	$97,269	$347,104

(1) For the year ended December 31, 2016, payments include $10.5 million of deferred acquisition consideration settled through the issuance of 691,559 MDC Class A subordinate voting shares in lieu of cash.

(2) Additions are the initial estimated deferred acquisition payments of new acquisitions and step-up transactions completed within that fiscal period.

(3) Redemption value adjustments are fair value changes from the Company's initial estimates of deferred acquisition payments, including the accretion of present value and stock-based compensation charges relating to acquisition payments that are tied to continued employment. For the year ended December 31, 2016, redemption value adjustments include $2.4 million of expense related to 100,000 MDC Class A subordinate voting shares to be issued.

(4) Other is comprised of (i) $2.4 million transfered to shares to be issued related to 100,000 MDC Class A subordinate voting shares that are contingent on specific thresholds of future earnings that management expects to be attained; and, (ii) $4.1 million of contingent payments eliminated through the acquisition of incremental ownership interests.

(5) The reduction in the fixed payments for the year ended December 31, 2016, was attributable to payments of approximately $40.1 million, partially offset by redemption value and foreign translation adjustments.

Deferred acquisition consideration excludes future payments with an estimated fair value of $36.4 million that are contingent upon employment terms as well as financial performance and will be expensed as stock-based compensation over the required retention period. Of this amount, the Company estimates $3.5 million will be paid in

the current year, $11.7 million will be paid in one to three years, $18.1 million will be paid in three to five years, and $3.1 million will be paid after five years.

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Put Rights of Subsidiaries’ Noncontrolling Shareholders

As noted above, noncontrolling shareholders in certain subsidiaries have the right in certain circumstances to require the Company to acquire the remaining ownership interests held by them. The noncontrolling shareholders’ ability to exercise any such option right is subject to the satisfaction of certain conditions, including conditions requiring notice in advance of exercise and specific employment termination conditions. In addition, these rights cannot be exercised prior to specified staggered exercise dates. The exercise of these rights at their earliest contractual date would result in obligations of the Company to fund the related amounts during 2017 to 2023. It is not determinable, at this time, if or when the owners of these rights will exercise all or a portion of these rights.

The amount payable by the Company in the event such contractual rights are exercised is dependent on various valuation formulas and on future events, such as the average earnings of the relevant subsidiary through that date of exercise, the growth rate of the earnings of the relevant subsidiary during that period, and, in some cases, the currency exchange rate at the date of payment.

Management estimates, assuming that the subsidiaries owned by the Company at December 31, 2016 perform over the relevant future periods at their trailing twelve-month earnings level, that these rights, if all are exercised, could require the Company to pay an aggregate amount of approximately $12.5 million to the owners of such rights in future periods to acquire such ownership interests in the relevant subsidiaries. Of this amount, the Company is entitled, at its option, to fund approximately $0.1 million by the issuance of share capital.

In addition, the Company is obligated under similar put option rights to pay an aggregate amount of approximately $43.1 million only upon termination of such owner's employment with the applicable subsidiary or death.

The amount the Company would be required to pay to the holders should the Company acquire the remaining ownership interests is $4.6 million less than the initial redemption value recorded in redeemable noncontrolling interests.

The Company intends to finance the cash portion of these contingent payment obligations using available cash from operations, borrowings under the Credit Agreement (and refinancings thereof), proceeds from the anticipated closing of the sale of the Preference Shares, and, if necessary, through the incurrence of additional debt and/or issuance of additional equity. The ultimate amount payable and the incremental operating income in the future relating to these transactions will vary because it is dependent on the future results of operations of the subject businesses and the timing of when these rights are exercised. Approximately $3.2 million of the estimated $12.5 million that the Company would be required to pay subsidiaries noncontrolling shareholders upon the exercise of outstanding contractual rights, relates to rights exercisable within the next twelve months. Upon the settlement of the total amount of such options to purchase, the Company estimates that it would receive incremental operating income before depreciation and amortization of $4.9 million.

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The following table summarizes the potential timing of the consideration and incremental operating income before depreciation and amortization based on assumptions as described above.

Consideration[4]	2017	2018	2019	2020	2021 & Thereafter	Total
	(Dollars in Millions)					
Cash	$3.2	$3.0	$2.0	$2.6	$ 1.6	$12.4
Shares	—	—	0.1	—	—	0.1
	$3.2	$3.0	$2.1	$2.6	$ 1.6	$12.5[1]
Operating income before depreciation and amortization to be received [2]	$2.8	$0.9	$0.1	$1.1	$ —	$4.9
Cumulative operating income before depreciation and amortization [3]	$2.8	$3.7	$3.8	$4.9	$ 4.9	[5]

(1) This amount is in addition to $43.1 million of (i) options to purchase only exercisable upon termination not within the control of the Company, or death, and (ii) the excess of the initial redemption value recorded in redeemable noncontrolling interests over the amount the Company would be required to pay to the holders should the Company acquire the remaining ownership interests.

(2) This financial measure is presented because it is the basis of the calculation used in the underlying agreements relating to the put rights and is based on actual operating results. This amount represents additional amounts to be attributable to MDC Partners Inc., commencing in the year the put is exercised.

(3) Cumulative operating income before depreciation and amortization represents the cumulative amounts to be received by the Company.

(4) The timing of consideration to be paid varies by contract and does not necessarily correspond to the date of the exercise of the put.

(5) Amounts are not presented as they would not be meaningful due to multiple periods included.

Guarantees

Generally, the Company has indemnified the purchasers of certain of its assets in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees typically extend for several years. Historically, the Company has not made any significant indemnification payments under such agreements and no provision has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under any guarantees or indemnifications in the period when those losses are probable and estimable.

Transactions With Related Parties

Employee Relationships

Scott L. Kauffman is Chairman and Chief Executive Officer of the Company. His daughter, Sarah Kauffman, has been employed by Partner Firm kbs since July 2011, and currently acts as Director of Operations, Attention Partners. In 2016 and 2015, her total compensation, including salary, bonus and other benefits, totaled approximately $145,000 and $125,000, respectively. Her compensation is commensurate with that of her peers.

The Company’s Board of Directors, through its Audit Committee, reviewed and approved this related party transaction.

Critical Accounting Policies

The following summary of accounting policies has been prepared to assist in better understanding the Company’s consolidated financial statements and the related management discussion and analysis. Readers are encouraged to consider this information together with the Company’s consolidated financial statements and the related notes to the consolidated financial statements as included herein for a more complete understanding of accounting policies discussed below.

Estimates. The preparation of the Company's financial statements in conformity with "U.S. GAAP," requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities (including goodwill, intangible assets, redeemable noncontrolling interests and deferred acquisition consideration), valuation allowances for receivables, deferred income tax assets and stock-based compensation, as well as the reported amounts of revenue and expenses during the reporting period. The statements are evaluated on an ongoing basis and estimates are based on historical experience,

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current conditions and various other assumptions believed to be reasonable under the circumstances. Actual results can differ from those estimates, and it is possible that the differences could be material.

Revenue Recognition. The Company's revenue recognition policies are as required by the Revenue Recognition topics of the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC"). The Company earns revenue from agency arrangements in the form of retainer fees or commissions; from short-term project arrangements in the form of fixed fees or per diem fees for services; and from incentives or bonuses. A small portion of the Company's contractual arrangements with clients includes performance incentive provisions, which allow the Company to earn additional revenues as a result of its performance relative to both quantitative and qualitative goals. The Company records revenue net of sales and other taxes, when persuasive evidence of an arrangement exists, services are provided or upon delivery of the products when ownership and risk of loss has transferred to the customer, the selling price is fixed or determinable and collection of the resulting receivable is reasonably assured. The Company recognizes the incentive portion of revenue under these arrangements when specific quantitative goals are assured, or when the Company's clients determine performance against qualitative goals has been achieved. In all circumstances, revenue is only recognized when collection is reasonably assured. The Company records revenue net of sales and other taxes due to be collected and remitted to governmental authorities. In the majority of the Company's businesses, the Company acts as an agent and records revenue equal to the net amount retained, when the fee or commission is earned. In certain arrangements, the Company acts as principal and contracts directly with suppliers for third party media and production costs. In these arrangements, revenue is recorded at the gross amount billed. Additional information about our revenue recognition policy appears in Note 2 of the Notes to the Consolidated Financial Statements included herein.

Business Combinations. The Company has historically made, and expects to continue to make, selective acquisitions of marketing communications businesses. In making acquisitions, the price paid is determined by various factors, including service offerings, competitive position, reputation and geographic coverage, as well as prior experience and judgment. Due to the nature of advertising, marketing and corporate communications services companies, the companies acquired frequently have significant identifiable intangible assets, which primarily consist of customer relationships. The Company has determined that certain intangibles (trademarks) have an indefinite life, as there are no legal, regulatory, contractual, or economic factors that limit the useful life.

Valuations of acquired companies are based on a number of factors, including specialized know-how, reputation, competitive position and service offerings. Our acquisition strategy has been to focus on acquiring the expertise of an assembled workforce in order to continue building upon the core capabilities of our various strategic business platforms to better serve our clients. Consistent with our acquisition strategy and past practice of acquiring a majority ownership position, most acquisitions include an initial payment at the time of closing and provide for future additional contingent purchase price payments. Contingent purchase price obligations for these transactions are recorded as a liability and are derived from the performance of the acquired entity and are based on predetermined formulas. These various contractual valuation formulas may be dependent on future events, such as the growth rate of the earnings of the relevant subsidiary during the contractual period, and, in some cases, the currency exchange rate on the date of payment. The liability is adjusted quarterly based on changes in current information affecting each subsidiary's current operating results and the impact this information will have on future results included in the calculation of the estimated liability. In addition, changes in various contractual valuation formulas as well as adjustments to present value impact quarterly adjustments. These adjustments are recorded in results of operations. In addition, certain acquisitions also include options to purchase additional equity ownership interests. The estimated value of these interests are recorded as redeemable noncontrolling interests.

For each of the Company's acquisitions, a detailed review is undertaken to identify other intangible assets and a valuation is performed for all such identified assets. The Company uses several market participant measurements to determine estimated value. This approach includes consideration of similar and recent transactions, as well as utilizing discounted expected cash flow methodologies. Like most service businesses, a substantial portion of the intangible

asset value that the Company acquires is the specialized know-how of the workforce, which is treated as part of goodwill and is not required to be valued separately. The majority of the value of the identifiable intangible assets that the Company acquires is derived from customer relationships, including the related customer contracts, as well as trade names. In executing our acquisition strategy, one of the primary drivers in identifying and executing a specific transaction is the existence of, or the ability to, expand our existing client relationships. The expected benefits of our acquisitions are typically shared across multiple agencies and regions.

Acquisitions, Goodwill and Other Intangibles. The Company reviews goodwill and other intangible assets with indefinite lives not subject to amortization for impairment annually as of October 1st of each year or more frequently if indicators of potential impairment exist.

For the annual impairment testing the Company has the option of assessing qualitative factors to determine whether it is more likely than not that the carrying amount of a reporting unit exceeds its fair value or performing the two-step goodwill impairment test. Qualitative factors considered in the assessment include industry and market considerations, the competitive environment,

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overall financial performance, changing cost factors such as labor costs, and other factors specific to each reporting unit such as change in management or key personnel.

If the Company elects to perform the qualitative assessment and concludes that it is more likely than not that the fair value of the reporting unit is more than its carrying amount, then goodwill is not considered impaired and the two-step goodwill impairment test is not necessary. For reporting units for which the qualitative assessment concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount and for reporting units for which the qualitative assessment is not performed, the Company will perform the first step of the goodwill impairment test, which compares the fair value of the reporting unit to its carrying amount. If the fair value of the reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not considered impaired and additional analysis is not required. However, if the carrying amount of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the second step of the goodwill impairment test must be performed to determine the implied fair value of the reporting unit's goodwill.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. The Company's goodwill impairment test uses the income approach to estimate a reporting unit's fair value. The income approach is based on a discounted cash flow ("DCF") method, which requires the exercise of significant judgment, including judgment about the amount and timing of expected future cash flows, assumed terminal value and appropriate discount rates.

The DCF estimates incorporate expected cash flows that represent a spectrum of the amount and timing of possible cash flows of each reporting unit from a market participant perspective. The expected cash flows are developed as part of the Company's routine long-range planning process using projections of revenue and expenses and related cash flows based on assumed long-term growth rates and demand trends and appropriate discount rates based on a reporting units weighted average cost of capital ("WACC") as determined by considering the observable WACC of comparable companies and factors specific to the reporting unit (for example, size). The terminal value is estimated using a constant growth method which requires an assumption about the expected long-term growth rate. The estimates are based on historical data and experience, industry projections, economic conditions, and the Company's expectations. The assumptions used for the long-term growth rate and WACC in the annual goodwill impairment tests are as follows:

	October 1,	
	2016	2015
Long-term growth rate	3%	3%
WACC	10.39% - 13.45%	8.92% - 11.95%

The Company's reporting units vary in size with respect to revenue and operating profits. These differences drive variations in fair value of the reporting units. In addition, these differences as well as differences in book value, including goodwill, cause variations in the amount by which fair value exceeds the carrying amount of the reporting units. The reporting unit goodwill balances vary by reporting unit primarily because it relates specifically to the Partner Firm's goodwill which was determined at the date of acquisition.

Under the second step of the goodwill impairment test, the Company utilizes both a market approach and income approach to estimate the implied fair value of a reporting unit's goodwill. For the market approach, the Company utilizes both the guideline public company method and the precedent transaction method. For the income approach, the Company utilizes a DCF method. The Company weights the market and income approaches to arrive at an implied fair value of goodwill. If the Company determines that the carrying amount of a reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference is recorded.

For the 2015 annual goodwill impairment testing, the Company had 13 reporting units. All of the reporting units were subject to the two-step test. As the fair value of all reporting units were in excess of their respective carrying amounts, there was no impairment of goodwill. The range of the excess of the fair value over the carrying amount was from 7% to over 100%. The Company performed a sensitivity analysis which included a 1% increase to the WACC. Based on

the results of that analysis, one reporting unit, which was comprised of the marketing experiential businesses, was at risk of failing.

The Company noted no significant events or conditions during the first and second quarter of 2016 that would have affected the conclusions from the annual assessment. During the third quarter of 2016, the Company changed its operating segments, as a result of the management structure change as discussed in Note 14, which resulted in a corresponding change to the Company's reporting units. Each Partner Firm now represents an operating segment as well as a reporting unit for goodwill impairment testing. As a result of the changes in the reporting units, the Company performed further analysis to assess whether the results of the 2015 testing would have been different had it been performed at the Partner Firm level. This change in operating segments, coupled with a decline in operating performance required the Company to perform interim goodwill testing on one of its experiential reporting units. Additionally, a triggering event occurred during the third quarter of 2016 that required the Company to perform interim goodwill testing on one non-material reporting unit. These two reporting units failed the first step of the goodwill impairment

testing, and the second step of the goodwill impairment testing resulted in a partial impairment of goodwill of $27,893 and $1,738 relating to the experiential reporting unit and non-material reporting unit, respectively. See Note 8 for further information.

For the 2016 annual goodwill impairment test, the Company had 31 reporting units, all of which were subject to the two-step test.

For the 2016 annual goodwill impairment test, the carrying amount of one of the Company's strategic communications reporting unit exceeded its fair value and the second step of the goodwill impairment test was performed, resulting in a partial impairment of goodwill of $18,893. The fair value for all other reporting units were in excess of their respective carrying amounts and as a result there was no additional impairment of goodwill. The range of the excess of the fair value over the carrying amount was from 5% to over 100%. The Company performed a sensitivity analysis which included a 1% increase to the WACC. Based on the results of that analysis, the non-material reporting unit for which a partial impairment of goodwill was recorded during the third quarter of 2016 would be at risk of failing; however, there were no events or circumstances that would more likely than not reduce the fair value of such reporting unit below its respective carrying value between the interim and annual goodwill impairment testing performed.

The Company believes the estimates and assumptions used in the calculations are reasonable. However, if there was an adverse change in the facts and circumstances, then an impairment charge may be necessary in the future. The Company will monitor its reporting units to determine if there is an indicator of potential impairment. Should the fair value of any of the Company's reporting units fall below its carrying amount because of reduced operating performance, market declines, changes in the discount rate, or other conditions, charges for impairment may be necessary. Subsequent to the annual impairment test at October 1, 2016, there were no events or circumstances that triggered the need for an interim impairment test.

Redeemable Noncontrolling Interests. The noncontrolling interest shareholders of certain subsidiaries have the right to require the Company to acquire their ownership interests under certain circumstances pursuant to a contractual arrangement and the Company has similar call options under the same contractual terms. The amount of consideration under the put and call rights is not a fixed amount, but rather is dependent upon various valuation formulas and on future events, such as the average earnings of the relevant subsidiary through the date of exercise and the growth rate of the earnings of the relevant subsidiary through the date of exercise.

Allowance for Doubtful Accounts. Trade receivables are stated less allowance for doubtful accounts. The allowance represents estimated uncollectible receivables usually due to customers' potential insolvency. The allowance includes amounts for certain customers where risk of default has been specifically identified.

Income Tax Valuation Allowance. The Company records a valuation allowance against deferred income tax assets when management believes it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Management considers factors such as the reversal of deferred income tax liabilities, projected future taxable income, the character of the income tax asset, tax planning strategies, changes in tax laws and other factors. A change to any of these factors could impact the estimated valuation allowance and income tax expense.

Interest Expense. Interest expense primarily consists of the cost of borrowing on the Company's previously outstanding 6.75% Notes; the Company's 6.50% Notes; and the Company's revolving Credit Agreement. The Company uses the effective interest method to amortize the deferred financing costs on the 6.50% Notes and previously outstanding 6.75% Notes as well as the original issue premium on the previously outstanding 6.75% Notes and the straight-line method to amortize the deferred financing costs related to the revolving Credit Agreement.

Stock-based Compensation. The fair value method is applied to all awards granted, modified or settled. Under the fair value method, compensation cost is measured at fair value at the date of grant and is expensed over the service period that is the award's vesting period. Awards based on performance conditions are recorded as compensation expense when the performance conditions are expected to be met. When awards are exercised, share capital is credited by the sum of the consideration paid together with the related portion previously credited to additional paid-in capital when compensation costs were charged against income or acquisition consideration. Stock-based awards that are settled in

cash or may be settled in cash at the option of employees are recorded as liabilities. The measurement of the liability and compensation cost for these awards is based on the fair value of the award, and is recorded into operating income over the service period, that is the vesting period of the award. Changes in the Company's payment obligation are revalued each reporting period and recorded as compensation cost over the service period in operating income.

The Company treats amounts paid by shareholders to employees as a stock-based compensation charge with a corresponding credit to additional paid-in capital.

From time to time, certain acquisitions and step-up transactions include an element of compensation related payments. The Company accounts for those payments as stock-based compensation.

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New Accounting Pronouncements

Information regarding new accounting guidance can be found in Note 17 of the Notes to the Consolidated Financial Statements included herein.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk related to interest rates, and foreign currencies and impairment risk.

Debt Instruments: At December 31, 2016, the Company's debt obligations consisted of amounts outstanding under its Credit Agreement and the Senior Notes. The Senior Notes bear a fixed 6.50% interest rate. The Credit Agreement bears interest at variable rates based upon the Eurodollar rate, U.S. bank prime rate and U.S. base rate, at the Company's option. The Company's ability to obtain the required bank syndication commitments depends in part on conditions in the bank market at the time of syndication. Given that there were $54.4 million borrowings under the Credit Agreement, as of December 31, 2016, a 1% increase or decrease in the weighted average interest rate, which was 4.50% at December 31, 2016, would have an interest impact of $0.5 million.

Foreign Exchange: While the Company primarily conducts business in markets that use the U.S. dollar, the Canadian dollar, the Euro and the British Pound, its non-U.S. operations transact business in numerous different currencies. The Company's results of operations are subject to risk from the translation to the U.S. dollar of the revenue and expenses of its non-U.S. operations. The effects of currency exchange rate fluctuations on the translation of the Company's results of operations are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 2 of the Notes to the Consolidated Financial Statements. For the most part, revenues and expenses incurred related to the non-U.S. operations are denominated in their functional currency. This minimizes the impact that fluctuations in exchange rates will have on profit margins. Intercompany debt which is not intended to be repaid is included in cumulative translation adjustments. Translation of intercompany debt, which is not intended to be repaid, is included in cumulative translation adjustments. Translation of current intercompany balances are included in net earnings. The Company generally does not enter into foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

The Company is exposed to foreign currency fluctuations relating to its intercompany balances between the U.S. and Canada. For every one cent change in the foreign exchange rate between the U.S. and Canada, the impact to the Company's financial statements would be approximately $3.7 million.

Impairment Risk: At December 31, 2016, the Company had goodwill of $844.8 million and other intangible assets of $85.1 million. The Company will assess the net realizable value of the goodwill and other intangible assets on a regular basis, but at least annually on October 1, to determine if the Company incurs any declines in the value of its capital investment. As discussed in Note 2 and Note 8 of the Notes to the Consolidated Financial Statements included herein, for the year ended December 31, 2016, the Company recorded goodwill impairment of $48.5 million. Additionally, the Company may incur additional impairment charges in future periods.

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Item 8. Financial Statements and Supplementary Data

MDC PARTNERS INC.

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Report of Independent Registered Public Accounting Firm
Board of Directors and Stockholders
MDC Partners Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of MDC Partners Inc. as of December 31, 2016 and 2015 and the related consolidated statements of operations, comprehensive loss, shareholders' deficit, and cash flows for each of the three years in the period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MDC Partners Inc. at December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, in 2016 the Company changed its methods of accounting related to the classification of deferred income taxes due to the adoption of Accounting Standards Update No. 2015-17 (Topic 740), Balance Sheet Classification of Deferred Taxes and the presentation of debt issuance costs due to the adoption of Accounting Standards Update No. 2015-03, Interest - Imputation of Interest.

As discussed in Note 14 to the financial statements, the accompanying consolidated financial statements have been restated to revise the Company's segment disclosure. Additionally, as discussed in Note 2, the accompanying consolidated financial statements have been restated to (i) change the presentation of book overdrafts on the Company's statements of cash flows for each of the three years in the period ended December 31, 2016, and (ii) adjust the Company's deferred tax liabilities on the Company's consolidated balance sheet as of December 31, 2016 and related consolidated statement of shareholders' deficit for the year ended December 31, 2016.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), MDC Partners Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated August 31, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA LLP
New York, New York
March 1, 2017, except for Notes 2 and 14 which is August 31, 2017

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MDC PARTNERS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Thousands of United States Dollars, Except per Share Amounts)

	Years Ended December 31,		
	2016	2015	2014
Revenue:			
Services	$1,385,785	$1,326,256	$1,223,512
Operating Expenses:			
Cost of services sold	936,133	879,716	798,518
Office and general expenses	306,251	322,207	290,073
Depreciation and amortization	46,446	52,223	47,172
Goodwill impairment	48,524	—	—
	1,337,354	1,254,146	1,135,763
Operating income	48,431	72,110	87,749
Other Income (Expenses):			
Other, net	414	7,238	689
Foreign exchange loss	(213)	(39,328)	(18,482)
Interest expense and finance charges	(65,858)	(57,903)	(55,265)
Loss on redemption of Notes	(33,298)	—	—
Interest income	808	467	418
	(98,147)	(89,526)	(72,640)
Income (loss) from continuing operations before income taxes and equity in earnings of non-consolidated affiliates	(49,716)	(17,416)	15,109
Income tax (benefit) expense	(9,404)	3,761	9,776
Income (loss) from continuing operations before equity in earnings of non-consolidated affiliates	(40,312)	(21,177)	5,333
Equity in earnings (losses) of non-consolidated affiliates	(309)	1,058	1,406
Income (loss) from continuing operations	(40,621)	(20,119)	6,739
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	—	(6,281	